RURAL DEVELOPMENT

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RURAL DEVELOPMENT
CONTENTS

SUMMARY AND RECOMMENDATIONS

Rural development is a strategy designed to improve the economic and social life of a specific group of people—the rural poor. It involves extending the benefits of development to the poorest among those who seek a livelihood in the rural areas. The group includes small-scale farmers, tenants and the landless.

A strategy for rural development must recognize three points. Firstly, the rate of transfer of people out of low productivity agriculture and related activities into more rewarding pursuits has been slow; and, given the relative size of the modern sector in most developing countries, it will remain slow. Secondly, the mass of the people in the rural areas of developing countries face varying degrees of poverty; their position is likely to get worse if population expands at unprecedented rates while limitations continue to be imposed by available resources, technology, and institutions and organizations. Thirdly, rural areas have labor, land and at least some capital which, if mobilized, could reduce poverty and improve the quality of life. This implies fuller development of existing resources, including the construction of infrastructure such as roads and irrigation works, the introduction of new production technology, and the creation of new types of institutions and organizations.

Since rural development is intended to reduce poverty, it must be clearly designed to increase production and raise productivity. Rural development recognizes, however, that improved food supplies and nutrition, together with basic services such as health and education, cannot only directly improve the physical well-being and quality of life of the rural poor, but can also indirectly enhance their productivity and their ability to contribute to the national economy. It is concerned with the modernization and monetization of rural society, and with its transition from traditional isolation to integration with the national economy.

The objectives of rural development, therefore, extend beyond any particular sector. They encompass improved productivity, increased employment and thus higher incomes for target groups, as well as minimum acceptable levels of food, shelter, education and health. A national program of rural development should include a mix of activities, including projects to raise agricultural output, create new

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All references to the World Bank in this paper are to be deemed to refer also to the International Development Association (IDA), unless the context requires otherwise. The fiscal year (FY) of the two institutions runs from July 1 to June 30.

employment, improve health and education, expand communications and improve housing. Such a program might be made up of single-sector or multisectoral projects, with components implemented concurrently or in sequence. The components and phasing must be formulated both to remove constraints and to support those forces prevailing in the target area which are favorable to development.

The nature and content of any rural development program or project will reflect the political, social and economic circumstances of the particular country or region. Where the scope and need for rural development are not accepted by government leaders, or where the shortage of resources is acute (especially the supply of skilled manpower), initial projects may be experimental in nature or restricted in extent. Where particular needs are pressing, such as in cases of famine or disease, narrowly focused projects may be appropriate.

Target Population

Approximately 85% of the 750 million poor in the developing world[1] are considered to be in absolute poverty—based on the arbitrary criterion of an annual per capita income equivalent to $50 or less. The remaining 15% are judged to be in relative poverty—having incomes above the equivalent of $50, but below one-third of the national average per capita income.

Three-fourths of those in absolute poverty are in the developing countries of Asia, reflecting both the low levels of national per capita income and the large size of the rural sector there. As for those in relative poverty, most of them are found in developing countries that are less poor, a large fraction being in Latin America.

Of the population in developing countries considered to be in either absolute or relative poverty, more than 80% are estimated to live in rural areas. Agriculture is the principal occupation for four-fifths of the rural poor. These people are found in roughly equal proportions in densely populated zones (over 300 persons per square kilometer) and sparsely populated zones (less than 150 persons per square kilometer). Thus, poverty is found in the highly productive irrigated areas of Asia, as well as in the adverse conditions of the Sahel, northeast Brazil, the Andean Altiplano and the dry zones of India.

The rural poor include small-scale farmers, tenants, sharecroppers, landless workers and their families. There are over 80 million small-

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[1] *The poor are defined as those with per capita incomes of $50 or less, plus others with per capita incomes that are less than one-third of the national average.*

holdings of less than two hectares, many of them comprising several small fragments of land, most of which generate incomes below the absolute poverty level. The tenants, sharecroppers and squatters, who represent another 30 million or more families, are often less well-off. While the largest proportion of workers in agriculture is self-employed, the number of landless or near-landless workers is growing—especially in Asian countries. They depend on seasonal work and are among the poorest of the rural community.

Despite high rates of migration from rural to urban areas, the rural population is growing by approximately 2% a year. The consequent worsening of the man-land ratio means that increases in output and income must come primarily from better yields per acre and cultivation of higher value crops. This will require both access to new technology and the capital to utilize it. That, in turn, implies the need for new or improved service systems to support a modern system of agriculture. The new seed-fertilizer-water technology for wheat, rice and maize provides the first major opportunity for extending science-based agriculture to low-income, small-scale producers of traditional crops. Further adaptive research and extension are required to ensure an adequate rate of technological change. Special programs are necessary to help the rural poor to contribute more fully to an increase in output. The programs must include the provision of infrastructure and on-farm improvements.

The need for special intervention to raise rural production and incomes applies also to the provision of social and other services, such as health and education. Poverty is reflected in poor nutrition, inadequate shelter and low health standards. These affect not only the quality of life but also the productivity of rural people. In particular, there is a need for nutrition and preventive health programs, including improved water supplies and sanitation. Better education is an important element, and may also provide an opportunity for the rural young to escape from poverty. In order to remedy both quantitative and qualitative educational deficiencies, increased use of "basic education" is considered imperative.

Compared with urban areas, rural areas have a smaller share of economic infrastructure services, such as domestic water, electricity and waste disposal. Even where the services exist, the poor often do not have access to them because organization is inadequate and the cost is high. A special effort is needed to provide appropriate social and economic infrastructure for the rural poor, and it is important to integrate these components into rural development projects. Without a concerted effort, rural poverty will remain pervasive.

Policy Framework

Experience indicates that a strong commitment to rural development at the national policy level is necessary if the impact is to be effective and broad-based. In many countries, the commitment is lacking. However, most governments are prepared to experiment at the project level and to examine the results. This should provide the basis for a dialogue between these countries and the Bank from which a broader approach may eventually develop.

Often, macroeconomic policies are inconsistent with agricultural and rural development. Price policies that favor manufacturing and processing industries, and those which aim to keep food prices low in urban areas, work against rural development. In such cases, subsidies on farm inputs may be justified. Fiscal policies also often militate against the rural poor, who are less well organized and less vociferous than other groups. Thus, public sector spending is heavily skewed in favor of urban dwellers, and in rural areas the rich get favored treatment. Yet the poor often pay considerably more taxes in proportion to income because indirect commodity taxes may be high, while direct taxes are low. In addition, there is often a reluctance to charge those benefiting from publicly financed investments, thus widening the gap between the few who have access to such investments and those who do not. Land policy has obvious implications for the rural poor, given that their incomes depend on the extent to which they control land and its output. In many instances, therefore, land reform is a necessary part of a rural development program.

Policies aimed at ensuring a flow of new, field-tested technical knowledge relevant to smallholder production are essential for the success of rural development. Often the poorest areas are overlooked by such policies, or the subsistence farm is not treated as a system. Where technology is available, it is frequently not applied because extension services, support services, finance and marketing facilities are lacking. Research and demonstration on a local basis to facilitate adoption is required in all these areas.

Organization and Planning

Ideally, the planning and implementation of rural development programs involve adequate regional planning, strong central coordination, effective local level organization and the participation of the rural people in the planning and implementation processes. Few countries have been able to come close to this ideal. Regional planning is desirable both because rural development cuts across all sectors and

because rural programs need to be framed to meet regional conditions. Such planning necessitates the collection of statistics on a regional rather than a sectoral basis, and the use of regional surveys and resource inventories. Interregional allocations of technical and financial resources must be decided in relation to resource endowments, the domestic and foreign funds available, a balance of equity and growth considerations, and mutually acceptable arrangements for sharing responsibilities between the central and local authorities. All these elements should be brought together into an internally balanced rural development plan. However, the lack of a comprehensive rural development plan should not prevent the evolution of programs on a local level.

Strong coordination at the center is increasingly regarded as essential to the successful implementation of a rural development program. This is a reflection both of the political nature of many of the decisions that must be made and of the need to coordinate the activities of ministries or departments organized along sectoral lines. A special office or unit is favored, having responsibility for definition of target groups, coordination of national and regional efforts, and integration of the activities of national sector agencies. It has also to ensure that all sector policies are commensurate with rural development objectives.

Coordination at the local level is emphasized because of the growing evidence that multisectoral programs can be implemented most effectively through a substantial increase in decentralization. Local control provides the flexibility needed for the proper integration and timing of activities, and for modification of programs in response to changing conditions. Community involvement, which is essential to a sustained development process, is greatly facilitated by local rather than centralized control. One particular advantage is that the problems of the community, as perceived by its residents and those imputed by local officials, tend to be more easily reconciled.

Group arrangements such as cooperatives provide an organized basis for handling many of the problems of providing access to services for large numbers of rural people. They allow a measure of involvement through participation, but also provide a vehicle for collective negotiation of credit, input supplies and delivery of marketable surpluses. Even land management can be organized on a cooperative basis, as in Egypt. Group approaches enjoy widespread support among governments, even though the results have been mixed. They provide an impetus to rural development that is difficult to secure in any other way. In many cases, they build on an established base of mutual aid within the rural population. A major requirement for the successful operation of cooperative groups and for regional and local govern-

ment is the provision of trained manpower. Thus, training facilities are needed to prepare full-time staff, and to improve the effectiveness of community leaders, school teachers, religious leaders and other agents of change.

Program Design and Implementation

Existing rural development projects can be classified for purposes of discussion into three approaches:

1. The minimum package approach, as exemplified by the Bank-supported projects in Ethiopia and the Republic of Korea (seeds).
2. The comprehensive approach, which can be either (a) nationally integrated programs or (b) area development and settlement schemes. Examples of nationally integrated programs are the Joint Commission for Rural Reconstruction in the Republic of China and PIDER in Mexico. Area-specific projects can be either single-product projects such as tea in Kenya, tobacco in Tanzania, cotton in Mali and oil palm in Malaysia; or comprehensive area projects which have more diversified crop and integrated farming systems, such as Comilla in Bangladesh, Lilongwe in Malawi and Caqueta in Colombia.
3. Sector and other special programs, including rural public works, education and training and credit schemes.

A review of these projects points to the many difficult issues in rural development planning, and in project formulation and implementation. Time and again, problems arise from lack of knowledge, incomplete understanding and limited institutional, technical and financial capabilities. It is possible, however, to make a few simple affirmative propositions:

1. Given sound preparatory planning, leadership and the involvement of local people, the small farmer can become an instrument of change to the advantage of the nation as well as of himself.
2. The material resources required for rural development need not be disproportionately large. In many successful schemes, the capital cost per beneficiary has been quite low. Although low capital cost per beneficiary is not by itself a criterion for a good project, it is an important element in designing projects to reach large numbers in the target groups.
3. Rural development schemes benefiting large numbers of people can be as productive and economically attractive as schemes of a conventional kind directly benefiting far fewer people.
4. With well-designed programs, offering proper incentives to small farmers, development can be much more rapid than is sometimes

believed, and the impact on levels of living following the expansion of cash incomes from a subsistence baseline can be dramatic.

5. Finally, while much remains to be done, conviction of the need for a change in strategy, and commitment to specific actions and programs for rural development, have probably never been greater in developing countries than at the present time. This is an important bridgehead on which new understanding can be built and from which new programs can be launched.

Country Guidelines

The following are desirable characteristics of a framework within which to design and implement rural development programs.

1. *Central leadership and coordination:* Effective rural development planning should be given high priority. Steps to improve planning capacity might include establishing a small but expert unit charged with the development of a national program of action. Such a body should provide leadership and should have a coordinating role in project identification and preparation and in monitoring ongoing programs. Where nationally integrated rural development programs are desired, the central unit should also be actively involved in project identification and preparation.

2. *Decentralization and participation at the local level:* Provision of an institutional framework at the regional or local level and of good center-local communications and coordination, with appropriate devolution of responsibility to local bodies, are critical. There is no single model for dealing with these problems, but the importance of evolving planning and programming units in both regional-local government institutions and sectoral departments cannot be stressed too strongly. Also important is the need to involve local people in planning, in making decisions and in implementation.

3. *Research:* Expanded technical and economic research into small farm systems, and into crops and techniques generally appropriate for use by the small farmer, should have high priority. A second type of research which is important but neglected relates to the dynamics of traditional rural societies as they begin to enter the modern sector.

4. *Training:* The shortage of trained manpower is perhaps the most serious obstacle to large-scale rural development efforts. An intensified training effort, particularly directed toward the needs of local level institutions, and calling for greater efforts focused on training in the local environments where people work, must also be pursued.

5. *Intermediaries:* The establishment of effective group organizations, such as farmers' associations and cooperatives, should have high

priority. They provide the best means of lowering the cost of delivering services and marketing output, so that larger numbers can be reached.

Activities related to rural development planning include the following:

1. *Identification of target groups:* Identification should be in terms of category, number, location and other attributes, with detailed specification of the relationships between these categories and the proposed project actions.

2. *Project design:* Several different kinds of projects may be appropriate:

(a) Some projects may emphasize specific functional services, such as minimum packages of inputs like fertilizers and seeds, and phasing, so that moderate benefits can be introduced progressively, at low cost per beneficiary, in order to cover a wide cross-section of the rural poor.

(b) Other more comprehensive projects may involve the integration of related economic and social services in order that full advantage is taken of opportunities to build better balanced and more focused efforts.

(c) In some cases, sectoral and other special programs may be needed to remove a binding constraint (such as an endemic disease problem) or to meet a special need (such as public works to employ the landless).

In any event, each project must contain the blend of inputs and services necessary to ensure a sustained increase in productivity for the beneficiaries. Particular attention should be given to the appropriate balance between the directly productive and indirectly productive elements in a project. The balance should reflect the levels of services proposed for the sector on a national basis, the most economical means of providing such services, and restrictions on resources that can be used for this purpose.

3. *Implementation:* Items requiring specific attention include:

(a) Local level training schemes and use of locally available human resources in order to minimize demands on the rest of the economy.

(b) Adherence to sectoral and regional planning considerations so as to ensure that proper attention is paid to linkages between sectors and regions.

(c) Establishment of user charges, graduated according to ability to pay, and provision for adequate savings to be drawn from local communities so that funds are available to extend programs on a broader scale.

(d) Local agricultural research to provide a basis for continuing productivity gains from small-scale agriculture.
(e) Full use of existing local governmental structures, and assistance in strengthening them for greater subsequent use.
(f) Promotion of institutional structures which enable the beneficiaries to participate in the running of projects.
(g) Use of simple monitoring and evaluation systems, both as integral parts of the project management system and as a method of benefiting from experience in designing future projects.

Changes in World Bank's Activities

The World Bank's activities in rural areas have related mainly to lending for agriculture. The Bank is now the largest single external source of funds for direct investment in agriculture in developing countries. This has resulted from a deliberate shift in the Bank's policy over the past five years that has been reflected in changes in the lending program. The changes include a shift in the sectoral pattern, a widening and deepening of the purposes of lending, and the emergence of "new style" projects. The share of agriculture has increased from 6% of total Bank lending in fiscal 1948-60 to 16% in fiscal 1971-72 and 24% in fiscal 1973-74. The share of agriculture, furthermore, has increased over a period when total lending has expanded several times.

The Bank's lending for agriculture has widened over this period to include financing of storage, marketing, processing, farm credit, fisheries and forestry projects, in addition to the more traditional irrigation and infrastructure projects. The deepening of lending is reflected in the fact that lending to countries with per capita Gross National Product (GNP) below $150 has increased from 22.5% of the total up to fiscal 1968 to 38.2% of the total in fiscal 1969-74. The number of projects providing benefits to the rural poor has increased. The increase has been facilitated by "new style" projects which: (1) are designed to benefit directly large numbers of rural poor; (2) take a comprehensive approach to small-scale agriculture and may include components that are indirectly as well as directly productive; and (3) have a sufficiently low cost per beneficiary so that they may be extended or replicated over broader areas.

In short, the Bank's changing philosophy on agricultural development has resulted in: (1) a larger proportion of total lending being devoted to agriculture, within which poverty-oriented projects are getting an increasing share; (2) an increased share of lending going to the poorest countries; (3) a larger number of people benefiting from

Bank-supported projects; and (4) projected net output increases well above the 5% target suggested by the President, Mr. Robert S. McNamara, in his Nairobi speech[1].

The Way Ahead

It might be asked whether an emphasis on rural development is inconsistent with the urgent need to increase food production, since: (1) it implies a heavy investment in the small farmer group (two hectares or less) which controls only 16% of the land; (2) it is sometimes more costly to provide services to large numbers of small farmers than to a smaller number of large farmers; and (3) it may conflict with a concentration of resources in areas of high potential which are not always among the poorest.

Rural development does not necessarily mean diverting resources away from increased food production since: (1) most of the rural poor are engaged in agriculture; (2) employment of the landless and near-landless on rural public works can provide them with the income to purchase food while creating productive facilities for agriculture; and (3) small farmers are often more efficient in the use of on-farm resources. Recognizing the high priority of food production, the Bank looks upon the need to reduce poverty in rural areas and to increase food production as twin goals. Its emphasis on rural lending, therefore, includes lending not only for those in the poverty target groups but also for the larger-scale farmers when it is necessary to raise their production in order to increase domestic food supplies and/or contribute to exports.

Assessing the measures required to achieve an annual growth of output of 5% from small-scale farmers is a complex task. It involves not only estimating the financial resources needed, but also assessing the problems of transferring technologies and the many manpower and institutional constraints. Many of these parameters are difficult to quantify and the available data do not allow detailed analyses. Experience indicates that finance alone is seldom the limiting factor: frequently technological, institutional, procedural and manpower factors are more critical. Nonetheless, approximate indications of the investment needed to achieve the goal of a 5% output increase by small farmers have been calculated by use of a simple model and by reference to recent Bank experience. These rough estimates range from $70,000 million to over $100,000 million—the highest figure being based on an analysis of Bank experience with 25 "new style" rural

[1] *References to "the Nairobi speech" in this paper relate to the address delivered by Mr. Robert S. McNamara, President of the World Bank Group, at the Annual Meeting in Nairobi on September 24, 1973.*

development projects in which, on the average, 50% of the direct project beneficiaries were poor rural families with annual incomes of less than $50 per capita. However, this estimate is subject to a substantial margin of error because the 25 "new style" projects analyzed do not constitute a very secure base from which to make such projections.

Even the figure of $100,000 million, or $10,000 million a year when taken over a ten year period, may appear relatively modest when viewed in the light of the projected $170,000 million total investment in developing countries in 1974 alone. However, for low-income countries, where the poor are concentrated, investment in 1974 will be nearer $25,000 million, so that proportionately the investment required for rural development is extremely large.

The Bank's Program

The Bank's projected lending for agriculture and rural development during fiscal 1975-79 is approximately $7,000 million for projects with total costs estimated at $15,000 million. Assuming a lending program of this size, half would be for agriculture and half for rural development. The total investment in Bank-supported projects would be one-fifth of the investment needed to expand the productivity of the rural poor by at least 5% per year during 1975-79. The agriculture and rural development program of the Bank would reach a total rural population of 100 million, of whom 60 million would be in the poverty target group. The numbers of rural poor are expected to increase by 70 million in the same period.

Deployment of Bank Resources

In order to meet the goals of rural development, the Bank is giving attention to: (1) monitoring progress of economic, sector and project work; (2) adjusting the project cycle, especially in the case of project preparation work; and (3) modifying the technical assistance program, including training and research.

The increased emphasis given to project identification in rural development suggests the need for greater attention to identification in country economic and sector work. Special reconnaissance missions may be useful for this purpose.

Project preparation acquires greater importance because of the number and variety of components and the special implementation needs. The lead time is generally longer. Possible measures for providing assistance in preparation include expanded use of reconnaissance missions; creation of project planning units in developing countries;

and special preparation projects. In recognition of the importance of "implementation" in realizing goals, particular attention should be given to planning, monitoring and evaluation systems within project organizations.

No significant changes are required in project appraisal procedures, but specific guidelines are necessary for assessing those components for which benefits cannot be reliably estimated. In such cases, attention should be given to sectoral policy standards, minimum cost alternatives, appropriate pricing of services, replicability and the availability of fiscal resources to maintain and carry on programs on a broader basis.

The kind of technical assistance required to support the Bank's proposed lending program for rural development includes training to overcome manpower constraints, attention to public sector organizations, and research and information gathering to provide more adequate understanding and guidelines.

The Bank will encourage and, where requested, provide technical and financial assistance to governments that wish to devise comprehensive rural development plans. Where governments do not appear interested in developing a strategy for reducing poverty in rural areas, the Bank will seek to identify and prepare rural development projects, while engaging in a dialogue on possible changes in development strategies and policies. Where governments are interested in experimental rural development programs or projects, the Bank will support them.

The Bank's economic, sector and regional planning missions will try to identify the target groups in the rural areas and the key technical, policy, organizational, management and manpower constraints. Their reports will be used as the basis for a dialogue with governments with a view to removing constraints through such actions as:

1. Special missions to identify the institutional causes of low absorptive capacity in the public sector, paying particular attention to civil service procedures and conditions of service which militate against efficiency in the planning and implementation of suitable projects and programs.

2. Projects to provide greater training facilities for indigenous personnel, such as "corps of development managers," regional and project planners, cooperative managers and accountants.

3. Provision for training specialists in larger projects.

Within the lending program, an increasing effort will be made to develop projects which:

1. Reach large numbers in the low-income groups of the rural population.

2. Are low in cost per person reached relative to benefits.

3. Provide a rate of economic return at least equal to the opportunity cost of capital.

4. Provide a balance between productive and welfare components, consistent with minimum cost standards and fiscal resources.

5. Involve local participation in decision making.

6. Incorporate rural works for the landless as part of an integrated rural development effort.

There will be continued experimentation with:

1. The design of projects and the development of economical delivery systems for all facets of rural development (such experimentation will include the evaluation of low-cost minimum packages, area development projects and public works and other special programs).

2. Multisectoral projects designed within sectoral and regional contexts rather than within a purely project context. Putting projects in these contexts provides guidelines for minimum national standards.

There will be greater emphasis on the ongoing evaluation of projects as part of internal management control systems; the scope of supervision missions will accordingly be broadened to include fuller evaluation of the impact of the project.

In designing rural development projects, account will also be taken of the possibility of including family planning elements, where desirable.

Chapter 1: THE NATURE AND EXTENT OF THE PROBLEM

Toward an Operational Strategy

The objectives of development include sustained increases in per capita output and incomes, expansion of productive employment and greater equity in the distribution of the benefits of growth. This implies reducing poverty and human misery by increasing the productivity of the poor and providing them greater access to goods and services. A large proportion of the poor live in rural areas. Rural development must constitute a major part of a development strategy if a large segment of those in greatest need are to benefit.

Past strategies in most developing countries have tended to emphasize economic growth without specifically considering the manner in which the benefits of growth are to be distributed. The assumption has been that increased growth *per se* would lead to a reduction in poverty as the benefits of an expanding economy spread among the people. Accordingly, the emphasis has been on increasing the rate of growth, with a corresponding concentration of effort on the "high growth," modern sectors of the economy—to the virtual exclusion of the traditional sector, where the smallholders, tenants and landless make up the bulk of the rural poor. Although, in the long run, economic development for the growing rural population will depend on expansion of the modern sector and on nonagricultural pursuits, too strong an emphasis on the modern sector is apt to neglect the growth potential of the rural areas. Failure to recognize this has been a major reason why rural growth has been slow and rural poverty has been increasing. At the other extreme, a few governments preoccupied with promoting social equity in the rural areas may have discouraged investment in growth to the point where economic stagnation has resulted. With rapidly growing populations, per capita incomes in the rural areas have declined, even though the range of differences in incomes is much narrower than it was.

A strategy for rural development aimed at raising growth rates and distributing the fruits of growth more fairly implies greater interaction between the modern and traditional sectors, especially in the form of increased trade in farm produce and in technical inputs and services. While the main concern of this paper is with direct ways of tackling problems of rural poverty—because such problems have been relatively neglected in the past—other methods are also required to deal with rural poverty in all its forms. For this reason, modern sector and

macroeconomic policies are important; the World Bank needs to continue to devote part of its resources to helping the rural poor, indirectly, through projects designed to increase output, exports and growth generally.

The central concept of rural development presented here is of a process through which rural poverty is alleviated by sustained increases in the productivity and incomes of low-income rural workers and households. The emphasis is on raising output and incomes rather than simply redistributing current income and existing assets, although the latter may be desirable or even essential in an overall rural development strategy which links production with distributive or equity objectives. Operationally, this concept of rural development requires that target groups be specified among the rural poor, for whom specific measures to raise production and income can be designed, and in whose case the resulting flow of benefits—direct and indirect—is both identifiable and potentially measurable. The notion of target groups lies at the root of the definition of rural development as a separable and distinct component of general development strategy. It provides that necessary focus on groups of the rural population in terms of whose well-being policy actions and programs can be designed and evaluated. Target groups are best defined in the context of the individual country. However, a basic standard for identifying target groups would be the income necessary to cover minimum nutritional requirements and essential nonfood expenses. In addition, an income equal to or less than one-third the national average would be an appropriate additional criterion to allow for extreme relative poverty—in developing countries. Target groups identified by low incomes, absolute or relative, include smallholders, tenants and the landless; each separate group may need a special program of its own to handle the specific problems it faces.

The operational goals of rural development extend beyond any particular sector: they include improved productivity, and thus higher incomes for the target groups, as well as minimum acceptable levels of food, shelter, education and health services. Fulfillment of these objectives calls for an expansion of goods and services available to the rural poor, and institutions and policies that will enable them to benefit fully from the whole range of economic and social services. In order that the development be self-sustaining, it is of special importance that the members of the target group participate in the organization of the program.

A program of rural development must embrace a wide range and mix of activities, including projects to raise agricultural output, to improve health and education, to expand communications and to improve

housing. The mix of activities will vary with the requirements of a region and the priorities assigned to components within a program at particular times and at particular stages of development. The program may be based on a series of sequential projects—first health, then education, then agricultural development. Or it may attempt a broad-based, multisectoral approach whereby a series of activities are to be undertaken almost simultaneously. In all cases, the constituent elements should be complementary and reinforcing.

Most of the low-income groups in the rural areas depend heavily on agriculture for their livelihood. It follows that many of the programs intended to raise rural incomes must center on agricultural development. For the landless, who are among the lowest-income groups, public works programs that generate employment can be an important element in rural development programs. The same applies to health and education when these services focus on the rural poor. In these instances, however, the effect of the programs may be to increase the capacity of the poor to become more productive rather than to increase output and incomes directly.

Approaches to rural development are also influenced by a country's circumstances. Countries with surplus revenues—including many that are rich in petroleum and minerals—may be in a position to invest heavily in social overheads as well as in directly productive activities. Where economic dualism prevails, a rural development program may be an effective way of both redistributing income and expanding output by increasing the share of the budget allocated for services to low-income groups. Elsewhere, economic circumstances may dictate that the primary emphasis be on increasing short-run output to generate increased income—which can then be the basis for increased savings and further investment in development. The nature and content or mix of activities in any rural development program will vary, depending on the political, social and economic circumstances that prevail in a given country or region. There is no universal formula that prescribes the right mix, or the most effective sequence, of activities to raise the incomes of the rural poor.

In sum, rural development programs or projects are intended to provide a sustained increase in the output and level of living of a significant proportion of the rural poor in a given area. In some instances, this may require emphasis on indirectly productive operations. But, in the main, the focus is on activities which either raise incomes directly, or at least provide the potential to be more productive. The implementation of such a strategy requires trained manpower and efficient institutions. The rural poor must participate in designing and operating a program which involves so many of them.

The Measurement of Rural Poverty

The Extent of Rural Poverty

There is no uniquely correct way of measuring the extent of poverty, or of rural poverty. In Mr. McNamara's Nairobi speech, emphasis was given to programs for increasing the productivity of "that approximately 40% of the population of our developing member countries who have neither been able to contribute significantly to national economic growth, nor to share equitably in economic progress." Some illustrative calculations have been built from this baseline. They take into account absolute poverty (defined by income levels below which even minimum standards of nutrition, shelter and personal amenities cannot be maintained) and relative poverty (reflecting extreme differences in levels of living between the top and bottom strata of society). Relative poverty is often more of a problem in the better-off developing countries than in the poorer ones.

The extent and regional concentration of absolute poverty can be illustrated by adopting an arbitrary standard—that a person is in a state of absolute poverty when he or she has an annual income equivalent to $50 or less.[1] On this basis, an analysis of all developing countries with populations of more than one million reveals that:

1. Approximately 85% of all absolute poverty is in the rural areas.

2. In all, about 550 million people are suffering from absolute poverty in the rural areas of the developing world in the mid-1970s.

3. About three-fourths of this total are in the developing countries of Asia, with almost two-thirds of the number found in only four countries—India, Indonesia, Bangladesh and Pakistan.

4. In contrast, the developing countries of Latin America and the Caribbean account for only about 4% of the population in absolute poverty.

5. Fifty-three countries with per capita incomes above $150, taken together, account for only 8% of the absolute poverty in rural areas.

Thus, much of the rural poverty is a direct reflection of low levels of national per capita income and the size of the rural sector in these economies.[2]

To provide a quantitative illustration of relative poverty, calculations were made of the total number of people with per capita incomes

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[1] *In 1969 prices—the year to which the original data used in these calculations refer. It would be preferable to use "household" or "family" income levels in place of the per capita measure used in this analysis, but data are lacking on the distribution of household or family incomes.*

[2] *See Annexes 1 and 3; the figures quoted in the text are rough projections from the 1969 estimates shown in the tables.*

below one-third of the average per capita income of their own country.[1] (See Annex 2.) By this standard of relative poverty:

1. The relatively poor make up 18% of the total population of developing countries (in contrast to 34% under the $50 absolute standard).

2. But a much larger fraction of the relatively poor (27% of the total) belongs to countries in Latin America and the Caribbean; by this criterion, over 30% of the people of that region are poor.

If the estimates of the number of the poor, measured by the absolute standard given, are added to the number of those whose per capita incomes exceed $50 but fall below one-third of the national average for the countries in which they live, then approximately 750 million or 40% of the total population of developing countries must be considered to be living in absolute or relative poverty. Of this total, almost 70% are accounted for by the developing countries of Asia; 19% by Africa; and 13% by Latin America and the Caribbean. The fraction of the rural population counted as absolutely poor varies from over 40% in rural Asia to under 20% in Latin America and the Caribbean. Allowing for both relative and absolute poverty, however, these proportions fall between 37% and 47% of the rural populations of the various regions.

The data presented above indicate the geographic spread and magnitude of poverty. An estimated 600 million of the poor—or more than 80% of all the poor—live in the rural areas. These 600 million constitute 40% of all the people in the rural areas. Nearly 550 million people living in the rural areas have incomes that are the equivalent of $50 or less.

The estimates also suggest that rural poverty is more severe and intractable in some countries than in others. The most difficult circumstances are those in which extensive rural poverty is combined with low levels of mobilizable resources. Countries in this situation include all the South Asian nations, many of the larger African countries such as Ethiopia, Sudan and Tanzania, and a few Latin American and Caribbean countries like Bolivia and Haiti. Rural development is the major development problem facing these nations.

At the other end of the scale are countries with pockets of rural poverty, varying in extent and intensity, but with resources adequate to deal with the problem, provided the political commitment is made. In this group are Iran, Argentina, Malaysia and Yugoslavia. In an intermediate category are countries with relatively extensive rural poverty but not inconsiderable resources to deal with it. This group includes petroleum-exporters such as Indonesia, Nigeria and Algeria, middle-income countries such as Brazil, Colombia and Mexico, and moder-

[1] *A ratio which corresponds very roughly to the "poverty line" at which incomes begin to be supplemented through welfare payments in many developed countries.*

ately poor countries such as Thailand, the Republic of Korea and the Philippines.

Characteristics of the Rural Poor

There is little detailed information on the levels and distribution of income within rural areas and little analysis of the anatomy of rural poverty. In most cases, however, the poor are found living alongside the prosperous. They sometimes suffer from limited access to natural resources. But more frequently they suffer because they have little access to technology and services, and because the institutions which would sustain a higher level of productivity are lacking. In many cases, vested interests operate to ensure not only that the benefits of productive activity are distributed inequitably, but that the poor are denied access to the inputs, services and organization which would allow them to increase their productivity. Thus, the socioeconomic system operating in the rural areas is often hostile to the objectives of rural development, serving to reinforce rural poverty and to frustrate the efforts of the poor to move up. Clearly this is not always the case, for example, there are isolated communities where all the people suffer from poverty and ignorance, where there is no dominance by privileged groups and where the ultimate rights to land are exercised by a tribal or clan council of elders. The important point is that devising effective programs calls first for a clear understanding of the system which perpetuates poverty.

Dependence on Agriculture for a Livelihood

Labor surveys in Africa and Asia show that agricultural employment is the principal occupation for 75% to 85% of the rural population; with the partial exception of some relatively advanced countries, and areas close to cities, almost everyone has some connection with agriculture. There is a correspondingly thin scatter of jobs in rural industry, commerce, transport and services (including educational and administrative services). Data concerning the activities of the rural poor are scarce. Such data as there are serve to show that agriculture is even more important as a source of income for this group than for the rural population in general. A detailed evaluation of the relatively commercialized and developed areas of rural Malaysia, for example, confirms that agriculture is more significant for the poor than for others: it is the principal source of livelihood for 82% of the poor householders, compared with only 50% of rural households not classified as poor. In the remoter regions of most developing countries, almost every family either rears animals or raises crops as a main activity.

Importance of Nonagricultural Sources of Income

Though agriculture provides most of the work and incomes in rural areas, nonagricultural activities are important supplementary sources of incomes for rural households. A shortage of remunerative work opportunities off the farm during the slack season may greatly increase the poverty of those whose holdings are too small or too unproductive to provide an adequate livelihood. The poorest income groups in rural areas—the landless and near-landless—often depend on activities which may contribute only indirectly to higher agricultural output. This is one of the fundamental reasons why rural development efforts cannot be confined simply to measures to increase productivity, without explicit regard for their effects on poverty target groups.

Variety of Climatic and Ecological Conditions

Most of the rural poor living in absolute poverty are concentrated in the fertile areas and the relatively favorable climates of South and East Asia where the density of population is great and where many holdings are less than one-third hectare in size. But poverty persists also in sparsely populated areas where the land is infertile and the climate adverse; such areas include parts of the Sahel zones of Africa, the Andean Altiplano or the dry zones of India and Pakistan. A calculation based on a country-by-country breakdown shows that about 40% of the population is in absolute or relative poverty in the more densely populated zones (300 or more persons per square kilometer); the proportion is also about 40% in the less populated zones (150 or less persons per square kilometer). Rural development efforts obviously have to be shaped according to the widely differing ecological circumstances in which rural poverty occurs.

Compounding Effects of National Calamities

There are times—typically after floods or drought have ruined the harvest—when virtually the entire population of a large area is seriously affected. An important region where such a situation is common is represented by the so-called "drought prone areas" of India, which cover about 600,000 square kilometers and have a population of approximately 66 million. The bulk of this population is engaged in a perennial struggle to meet subsistence needs in a generally harsh environment. Within this broad zone, drought has occurred in three or four years out of every ten—with good and bad years tending to cluster together. The succession of drought years has severely affected the harvest, and has resulted in absolute poverty for more than 50 million people, or three-fourths of the total population of the zone. A similarly extreme situation exists in the drought prone areas of northeast

Brazil, affecting more than 20 million people. Elsewhere, severe floods (partly occasioned by typhoons) contribute to perennial poverty. Such floods occur every two or three years in Bangladesh and in parts of the Philippines; they tend to diminish the already low incomes in those areas.

Small and Fragmented Holdings

Incomes at the farm level are determined by a host of factors that include the quantity and quality of inputs such as land, labor and water, the technology used, the prices received for outputs, and the prices paid for inputs. Thus, an irrigated farm of one hectare using high-yielding varieties of rice and fertilizer can generate double the income of the same area farmed by traditional methods. One hectare devoted to tea can yield an income seven times as great as when it is used for maize. The acreage required to generate the same level of income will also vary with ecological conditions. Thus, a recent Agricultural Sector Survey conducted in Kenya indicated that, for rainfed agriculture, the farm size needed to produce approximately $40 per capita per year increased progressively from 2.6 hectares to 6.4 hectares, and then to 16.4 hectares, according to the ecological zone. Between 90 and 135 hectares were needed to generate the same level of income in range areas bordering the Sahel. But while the use of inputs varies widely, land remains the most important of the factors of production that determine levels of output and income. Studies indicate that most of the smallholdings in Asia, Africa and Latin America are used for traditional low-yielding subsistence production. These studies also indicate that very few farms of less than two hectares of arable land, producing traditional crops, generate incomes above the poverty line. According to the 1960 World Census of Agriculture, there are 80 million smallholdings with less than two hectares of land.[1]

Tenants and Sharecroppers

There are instances—especially in the more developed regions—where large holdings are leased under fixed rentals and where those who operate the farm have relatively high incomes. However, most tenants and sharecroppers in the poorer countries share their output with landowners and often operate under insecure tenancies. Other things being equal, tenants' incomes will be even lower than those of the small operator-owners, and the amount of land required for an income above the poverty line is correspondingly larger. The greatest

[1] *See the World Bank's paper on* Land Reform, *Annex 1, Table 1:6.*

numbers of low-income persons in these categories are in Asia (26 million, or 89% of the total).[1]

Landless and Other Rural Workers

Most workers in rural areas are classified as self-employed or family workers, but the poorest farm households also derive a significant proportion of their income from wage employment in agricultural and nonagricultural activities. There is a large and growing group of landless and near-landless workers—heavily concentrated in those Asian countries with the largest concentrations of the poor (see Annex 4). Most of the landless work irregularly, often on a seasonal basis; many work only when labor requirements are at a peak. Wage rates are extremely low, often less than the equivalent of 50 cents a day. Not all farm workers are so badly off; some workers in plantations and in enclave enterprises have incomes that place them above the poverty level. In the main, however, agricultural workers and the landless whose employment is seasonal are among the poorest members of the community.

The Dynamics of Rural Poverty

Rural Population and Agricultural Production

Despite high rates of rural-urban migration, the rural population is growing by approximately 2% per year.[2] In the past, in most countries, the increase in rural population could be accommodated by expanding the acreage under cultivation. This may continue to be the case in countries which have an ample supply of land that can be brought into production at relatively low cost, but in most places the opportunities for such low-cost expansion have diminished substantially. With a worsening man-land ratio, increases in output and farm income must come from a widespread increase in yields per acre and from the cultivation of higher value crops.

The need to raise yields per acre places the poor farmer at a disadvantage under present programs, and encourages the view that poverty will increase unless the development strategy in many countries is reoriented. To raise the output and incomes of the bulk of the rural poor means that they should have access to suitable technology and to the capital required to utilize that technology. At present—for reasons discussed at length in the Bank's papers on *Agricultural Credit* and *Land Reform*—the public and private institutions that can promote

[1] *Ibid, Annex 1, Table 1:10.*
[2] *Except in some countries of Latin America where population growth rates are low.*

technological change tend to bypass the poor farmer typically operating a holding of two hectares or less, and to ignore the needs of the landless laborer.

The new seed-fertilizer technology for wheat, rice and maize has provided the first major opportunity to increase yields among small-scale, low-income producers of traditional crops. Although considerable adaptive research and breeding is required, the technology can lead to substantial increases in output in many areas, even where the density of population is very high and where there are large numbers of small-scale, low-income producers, such as in Bangladesh and Java. However, as long as the institutions that provide the inputs for technological change continue to be biased against the small producers, the latter will become more and more impoverished as they have to share their output among increased numbers. A special effort must be made to help the rural poor to contribute more to an increase in output. This can be done only by special programs which include the provision of infrastructure and on-farm improvements.

There are opportunities for considerably expanding employment in agriculture for both farmers and landless labor, particularly by increasing cropping intensities on irrigated lands. But agriculture cannot absorb at ever increasing levels of productivity all of the prospective additions to the working age population in rural areas. Consequently, rural development programs have to include provision for promoting nonagricultural activities in rural areas and for the linkages with agricultural sectors on the one hand, and the urban, industrialized sector on the other.

Health and Education

The logic regarding special intervention to raise the agricultural incomes of the poor also extends to the provision of minimum standards of food, clothing, shelter, health and education. These not only improve the quality of life, but also indirectly affect human productivity. An income of less than $50 per capita implies inadequacies of nutrition, shelter, health standards and other components of a basic level of living. As a consequence, rural areas are notable for high levels of morbidity and mortality, especially infant mortality; physical and mental lethargy and inability to sustain hard work on a regular basis; limited ability to recognize or to respond to problems and challenges; lack of awareness; inactive and poor motivation toward improvement and learning; and, often, hostility toward outside sources of change (and sometimes toward potential achievers inside who threaten the cohesion of the group). Some of these reactions, particularly those that are more psychological than physiological, are associated as

much with the deprivations of relative poverty as with those of absolute poverty. A link between rural poverty and food intake has been established for a number of countries. (See Annex 5.) Nutritional deficiencies affect all age groups, but the toll is greatest among the very young. In most low-income countries, children under five years of age, although they generally constitute less than 20% of the population, account for more than 60% of all deaths. Malnutrition is the largest single contributor to child mortality in these countries.

One of the important elements reinforcing rural poverty is that those most needing medical or health care are precisely those who are too poor or too remote from any facility to obtain it (see Annex 6). Since almost everywhere[1] the medical doctor remains the lynchpin in the system of public health care, the shortage of doctors generally means that medical facilities are inadequate. It is estimated that more than 80% of the rural population is completely out of touch with the official health services.

Another factor that exacerbates the health problems of the rural poor is that preventive services are neglected. Approximately 70% to 80% of public health expenditures are usually allocated to curative services, even though it is generally recognized that preventive health programs, primarily environment-oriented, are essential to check the diseases which have contributed to the prevailing high rates of morbidity and mortality. Through improved water supply and sanitation, the incidence of a whole range of diseases can be diminished.

Although it may take time, access to education can well provide some chance for the rural young to escape from poverty. There are, however, two important considerations which militate against the rural poor receiving satisfactory education. The first is the relative shortage of facilities and the poor quality of education in the rural areas. The second is the relatively high cost of education to the poor in terms of fees, books and other materials.

There has been a significant increase in educational opportunities in rural areas. But this has been unevenly distributed and has generally lagged behind educational expansion in urban areas, particularly at levels of education above the elementary. A comparison of the statistics of the United Nations Educational, Scientific and Cultural Organization (Unesco) for the primary level shows that the ratio of "complete" schools to the total number of schools by area is significantly less in rural than in urban areas. (See Annex 7.) On the basis of an intensive survey of the general situation, the judgment of one expert was

[1] *The People's Republic of China is the most noteworthy exception. Tanzania is also developing its rural health services with strong emphasis on the use of medical auxiliaries rather than doctors.*

that, "in a country with an overall primary school participation rate of, say, 50%, the chances are that in some of the poorer rural areas as many as 90% or more of all young people (especially girls) are reaching maturity without knowing how to read or write."[1] It is probable that unless the situation changes greatly, millions of children in rural areas will remain illiterate. One reason is that, despite what may be substantial public expenditures on educational facilities, charges for education, though nominal, are often well beyond the means of the rural poor. In many countries, education for large numbers of rural poor children ends after two years of primary school, even where a school is available for use.

Not only are the rural areas discriminated against in the provision of educational services, but the type of education often is not appropriate to the needs of rural dwellers. It is increasingly recognized that to remedy both the quantitative and qualitative deficiencies of education in rural areas more widespread use of systems of "basic education" will be required.[2]

Other Services

Compared with urban areas, rural areas tend also to be provided with a lower proportion of such services as domestic water supply, electricity, waste disposal and other economic infrastructure. The relative scarcity of these services means that they are not available in the areas where most of the poor live; the poor simply do not have access to them. Even where such services are available, the poor tend to benefit less from them than do other groups. When the services are subsidized, at least some payment has often to be made for them; so, despite the subsidy, the personal contribution may serve as an effective barrier to use by the poverty stricken.

The analysis indicates that special efforts to provide appropriate social and economic services for the rural poor should focus on meeting the needs of the lowest-income groups—smallholders, tenants and the landless—in the rural areas. To this end, not only must the services be geared to rural requirements, but special pricing arrangements must be maintained so that the poor will have access to services which can help them to break out of the cycle of poverty. The analysis also indicates the importance of integrating economic with social services in rural development projects, since poor health and lack of educa-

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[1] *Coombs, P. H., with Prosser, R. C., and Ahmed, M.* New Paths to Learning for Rural Children and Youth. *Prepared for UNICEF by International Council for Educational Development, October 1973.*

[2] *See* Education: Sector Working Paper. *Published by the World Bank, December 1974.*

tion are important reasons for low productivity and resistance to change.[1]

The reduction of rural poverty will require an enormous effort both within and outside the rural sector. The emphasis here is on a direct attack against poverty in the rural areas, although the expansion of nonrural sectors is essential if employment opportunities for the rural poor are to increase. This is especially the case in the more populous countries of Asia where man-land ratios are already unfavorable. Furthermore, other indirect measures may well be essential. For instance, with the growth in population, the increase in the number of the rural poor could be greater than the number of those likely to benefit from the proposed program of lending by the World Bank for rural development. (See Chapter 3.) Thus, the need for population control is obvious.[2] Family planning, in turn, has a better chance of success if rural development programs raise living standards.

Chapter 2: POLICIES AND PROGRAMS FOR RURAL DEVELOPMENT

The national commitment to policies and programs for rural development is a recent phenomenon in many countries. In only a few has such a commitment long been reflected in national policies (for example, Japan and the Republic of China). In addition, numerous pilot projects have been launched in different parts of the world—such as Comilla in Bangladesh, Puebla in Mexico and the special rural development projects in Kenya. The Bank's support for activities in this area is relatively new, and sufficient time has not yet elapsed for proper evaluation of the more recent efforts. Also, due to the diversity of rural conditions, a country's experience often provides insights relevant only to the circumstances of that particular country. At this stage, therefore, it is important to emphasize that much remains to be

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[1] *One specific study, recently undertaken for the Bank, of low-income workers in Indonesia stressed the mutually reinforcing impact of poverty and a deficient diet on production. It stated: "Once infestation of anemia occurs, the environmental, economic and nutritional factors are likely to enhance the debilitating effects of the disease resulting in a vicious circle. An anemic individual will tend to work less, and thus earn less income if he is on a piece-work or an incentive basis. This in turn predisposes him to a poorer nutritional status (less food), aggravating further the anemia, and increasing susceptibility to infection. Increased absenteeism and lowered productivity will therefore result, and he is trapped in a series of events in which he can neither improve his income, his nutrition nor his health."*

[2] *See "Population Planning: Sector Working Paper", in World Bank Operations, pp. 291-369. Baltimore and London: The Johns Hopkins University Press, 1972. See also* Population Policies and Economic Development. A World Bank Staff Report. *Baltimore and London: The Johns Hopkins University Press, 1974.*

learned about the nature, complexity and scale of the problems to be tackled. Consequently, any conclusions derived remain tentative and preliminary; they are likely to be modified considerably with a fuller understanding of the process of change in rural areas.

The Policy Framework

The Role of Government

A strong commitment to rural development policies at the national level is required if the impact on the problems of rural poverty is to be effective and broad-based. In some developing countries, present policies and institutional structures are so far from favorable to rural development that a policy shift could only follow a major political change. This is a key problem in situations demanding extensive land reform; it applies even more where the government itself is dominated by special interests unsympathetic to the objectives of rural development. In most other countries, governments are prepared to experiment at the project level. But some hold the view that rural development is technically difficult or economically unsound as it may lead to slower growth in output and exports. Whatever the reasons, unless more governments commit themselves firmly to devising strategies and policies to raise the standards of living of the rural poor, the lot of millions of people will not improve significantly.

Rural development objectives can be sought in various ways once there is firm commitment. The choice of methods, and the sequence in which they are used, will reflect social, cultural and political factors, as well as narrower technical considerations. So far, however, while numerous rural development projects and activities have been launched, the great majority of countries still operate without fully articulated policies, programs or plans for rural development. Similarly, national policies are often inconsistent with agricultural and rural development.

Price Policy

Price policy is one example. It is important for rural development that the overall relationship between input and output prices within agriculture, and the terms of trade between agriculture and other sectors of the economy, should be such as to stimulate growth in the rural areas. The Bank's analyses indicate that all too often government policies discriminate against development, particularly agricultural production, in the rural areas. They are designed to provide assistance to manufacturing and processing industries, or to raise government revenues. As such, they tend to raise the cost of agricultural inputs relative

to output prices, making innovation unrewarding and highly risky for the farmer.

Many governments defend low prices for food on the ground that it is necessary to keep down the cost of living in urban areas. In some cases, governments seek to compensate the farmer through subsidies on inputs or credit. Frequently, however, such subsidies lead to undesirable distortions in the economy, are costly to implement, and are available only to those in contact with and enjoying the confidence of the organization through which they are provided. The small farmer, typically, is excluded from the advantages. In general, therefore, it is more beneficial or less costly to provide incentives by guaranteeing minimum prices than to subsidize inputs; it is also better to subsidize specific inputs in order to transfer specific technologies rather than to have general subsidies such as subsidized interest rates.[1]

Fiscal Policy

Fiscal policies in many countries have been inconsistent in their approach. They have tended to develop piecemeal in response both to particularly urgent revenue needs and to powerful pressure groups. As such, they militate against the rural poor, who are either unrepresented or inadequately represented in the councils of government. For instance, in most developing countries, the distribution of public sector expenditure is heavily skewed in favor of urban dwellers; and in rural areas the relatively rich receive favored treatment. These inequalities are apparent across a broad spectrum of services.

Through high levels of indirect commodity taxation and low effective rates of income or property taxes, the poor often pay a considerably larger share of their income than the rich. In the rural areas, the failure to extract a reasonable contribution from the richer members of the community is most obvious in the case of taxes based on property ownership—especially landownership. A properly constructed tax on agricultural land is probably most desirable to mobilize resources for public purposes, since it can function without destroying incentives related to agricultural output. Yet few countries appear to have effective land taxes of any sort. Where they do, there is—more often than not—widespread evasion through nominal transfers of parcels of land to relatives and through false classification of land potential.

A related and highly significant aspect of fiscal policy concerns cost recovery. Most countries are unable or unwilling to impose charges on those benefiting from publicly financed investment or current services—on the ground that the poor cannot afford to pay. Seldom, how-

[1] *The World Bank's paper on* Agricultural Credit *provides an analysis of interest rates.*

ever, is any attempt made to impose progressive charges which subsidize the poor by recovering proportionately more from the rich. Failure to impose adequate charges, in turn, severely limits the rate at which investments can be undertaken or services provided in the rural areas, even though the social and economic returns may be high.

Land Policy

Land reform has obvious implications for the rural poor, since their subsistence depends for the most part on the extent to which they control land and the output from that land. The recent Bank paper on *Land Reform* stresses the necessity of viewing land reform in the context of the multiple objectives of rural development. But smallholders can increase their incomes considerably without land reform (1) in densely populated areas where the tenancy ratio is low, the distribution of land is not excessively skewed and the private marketing system effectively reaches the small as well as the big farmers; and (2) by participating in settlement schemes in areas where there are large tracts of land which can be exploited productively. Land reform, however, must precede any massive input of resources into small farms or rural works where the incidence of onerous tenancy is high, the distribution of land is extremely skewed, or the rural oligarchy controls credit and marketing institutions, appropriating for itself the bulk of the input and even the income generated by rural works.

Regional Policy

When rural development programs and projects incorporating a variety of objectives and activities are contemplated, including not only private agricultural and industrial activity but also governmental infrastructure and social services, the locational aspects of the units of nonfarm activities require careful consideration. Whereas agricultural activity is soil-bound, many alternative locations may be feasible for nonfarm activities. Economies of scale and external economies due to the interdependence of different activities can be very significant. Problems obviously arise in determining the optimal areas and populations to be served by a local market center, an electricity transmission station, a water supply system, a school, an extension office, a research station, a medical clinic, a feeder road, a bank or a credit cooperative.

Many of these service units are best located in towns serving the surrounding rural area rather than in every village rural settlement. Alternatively, service units with a small capacity may be located in the villages and larger units in towns and cities. As regional planning of rural areas spreads, it will have to be coordinated with urban regional planning. Increasing migration and changes in the geographical distribu-

tion of the poor and the unemployed add urgency to the need for a coordinated provision of public services in contiguous rural and urban settlements.

Regional development policies require a careful appraisal of the growth potential of different areas. Resources to finance minimum standards of public services and infrastructure facilities should be available to all regions, particularly those that are most poorly endowed. Of particular importance is expenditure to identify the natural resources and growth potential of every area. It is a disturbing fact that, in vast areas of the developing world, comprehensive scientific surveys of natural resources have not yet been completed. Many regions remain poor because their resource endowments and potential for growth have not been properly established as a basis for investment.

Technology Policy

A constant flow of new, field-tested technical knowledge relevant to smallholder production is a precondition for the continuing success of most rural development programs. Many of the poor live in a harsh environment where investments would produce little extra income until technological discoveries create reliable new opportunities. Major improvements in production technologies and product mixes must be evolved for arid lands, some mountain regions, areas of low-quality soils where shifting cultivation is practiced, and rain forest areas. Failing this, migration may be the only solution.

Inappropriate research programs and the inadequacies of adaptive research and extension have in many cases been major factors limiting the benefits reaching poor farmers. One common problem that is emerging is the failure to treat the subsistence farm as a system of cultivation, requiring a comprehensive approach to on-farm technological improvement. Another problem is the lack of attention to factors that are especially important to the small farmer. These include risk-reducing innovations, such as better pest- and weather-resistant crops; more intensive research into the so-called poor man's crops, including sorghum, millet, cassava, pulses and upland rice; and better advice on simple improvements in crop husbandry and soil and fertility conservation. Although more research has been done on small farm equipment than is generally supposed, the efforts have not been coordinated nor the results subjected to simple production engineering for manufacture. One approach to this problem being pioneered by the International Rice Research Institute in the Philippines and other groups involves dissemination of research results and prototype specifications for local manufacture.

Commitment, Planning and Resource Requirements

The commitment of resources to rural development and the extent to which promotion of rural development programs is reflected in national economic policy depends both on the nature and severity of the problem and on the resources which the nation can allocate to it. As noted in Chapter 1, where rural poverty is restricted to small pockets and resources are available, individual countries may follow very different policies with regard to rural development. For instance, the fifth Five-Year Plan of Iran, covering the period 1972-73 through 1977-78 and drawn up before the recent increase in petroleum prices, projected investment outlays for the agricultural sector equivalent to some $900 million per year. The rural population of Iran is approximately 18 million. Of these, some 8 million could be counted among the target group of rural poor, as defined in Chapter 1. It follows that if half of the total investment outlay projected for agriculture were to be directed toward Iran's rural poor, annual per capita investment among that group could be over $50 per year.

By contrast, in Bangladesh over 90% of the population lives in rural areas and at least 40 million of these rural people must be counted among the poor. A feasible investment outlay for agriculture was assessed by a recent Bank economic mission at the equivalent of approximately $300 million per year during the mid-1970s. Applying the same arithmetic, in Bangladesh less than $4 per capita is available annually to help improve the productivity of the rural poor—about one-fifteenth of the amount available in Iran. While rural poverty is far from negligible in Iran, it clearly is not the dominant development concern that it must be for Bangladesh. At the same time, the resources available to Iran allow much greater latitude in its approach to rural poverty and permit a much faster pace of implementation. It is obvious that planning, program formulation and implementation will vary considerably from one case to the other.

Organization and Planning

There is a growing consensus that the effective planning and implementation of rural development programs require the following elements:

1. A national plan or program of action for rural development, together with supporting national and regional policies and adequate center-local financing arrangements.

2. A strong organization at the national level to coordinate vertically organized, central government sectoral departments.

3. Greater decentralization with effective machinery at the regional and local level to coordinate the sectoral activities of national departments operating in the region and regional and local departments.

4. Participation by the rural poor in the planning and implementation processes through local government, project advisory committees, cooperatives and other forms of group organization.

National Rural Development Programs and Plans

Few countries have designed an overall plan for rural development. The task is not an easy one, for several reasons: (1) by definition rural development cuts across all sectors; (2) rural programs, more than most other kinds of programs, ideally should flow from national and regional planning; (3) the kinds of supportive policies discussed earlier involve fundamental political considerations; and (4) the information base is poor.

Yet the advantages of a coordinated effort, focused on a national plan or program for rural development, are almost self-evident. Basic questions such as the financial, technical and administrative efforts to be allocated to the program, the areas for major concentration, the phasing and sequencing of activities, the linkages among sector programs and the developmental impact aimed for, can seldom be addressed effectively in a piecemeal fashion. At the present time, the effort tends to be fragmented and dispersed because there is no clear idea of the overall size of the problem; the location, density and economic characteristics of specific target groups; or the developmental potential in the areas where rural poverty is concentrated. To obtain the benefits of planning, however, calls for great determination in the face of very real difficulties.

At the level of the central government, the concerns of rural development tend to cut across the conventional boundaries of department organization and responsibility. At the other extreme, regional and local planning involves the delegation of some central authority for program design and implementation to staff who are in touch with local requirements and are able to assess the local potential. Finally, it is increasingly recognized that to create a basis for self-sustaining development in rural areas requires that local resources—financial and human—be mobilized within a planning framework involving the active participation and assistance of local people. Local self-reliance implies involvement, as distinct from simply reaching the low-income rural population through development programs. This, too, calls for major new efforts in the many countries where the administrative system has been highly centralized. In view of the difficulties, partial

planning, for particular areas or regions, may be more realistic and effective in some circumstances.

Coordination at the Center

Some experience—although not a consensus—is emerging on approaches to the organizational problems of rural development planning. There appear, for instance, to be advantages in creating a special unit or office, located directly under the president or prime minister, to coordinate national planning and program development for rural development. The experience is that such units are most useful when they coordinate efforts rather than if they themselves undertake the specialized work of other agencies. Coordination is particularly important in: (1) national-regional efforts to overcome the current lack of data and improve the information base generally; and (2) the activities of the major sector agencies. The success of a rural program or project initiated by one department or agency often depends on complementary actions taken by another department. Experience in many countries suggests that inadequate preparation, including attention to those linkages, is an important cause of failure or disappointment. Finally, (3) there is the very important and difficult task of ensuring that national and sector policies are in line with the overall objectives of rural development.

Decentralization and Coordination at the Local Level

Experience indicates that the planning and implementation of rural development calls for a substantial measure of decentralization, involving the strengthening of local government and other development institutions. The adjustments needed vary significantly from country to country. Unless the functional aspects of rural development projects are completely delegated to some level of regional and/or local government—an unrealistic and probably undesirable situation—problems typically arise with regard to overlapping functions of central and local government departments. An institutional arrangement—perhaps in the form of regional planning units or coordinating committees—must be found to resolve issues and, in the last resort, to provide adjudication machinery. Where national investment priorities are concerned, provision has to be made to ensure that the central planning authority is brought into the picture.

The many meanings of decentralization should be clearly distinguished. Decentralization may mean decentralization of authority: (1) to formulate projects; (2) to administer projects and run enterprises; (3) to allocate expenditure; and (4) to raise revenue. If three major levels of government are considered—the central or federal, the state or

provincial, and the district[1]—it will be seen that in large countries the responsibility for planning, budgeting and executing rural development schemes usually rests at the provincial level, and in small countries at the central level. But, almost everywhere, central planning agencies and ministries are playing an increasingly dominant role in directing and providing funds for rural development. In some countries, special ministerial or presidential units have been established to plan, coordinate and accelerate the rural development activities of central as well as regional agencies.

Opinion is now almost unanimous on the need for strong planning and executive machinery for rural development at the district or subdistrict levels. The advantages in planning and administering development from local levels are particularly great where there is a complex, multisectoral mix of activities that need to be properly integrated and scheduled. At the same time, local level management provides the flexibility needed to modify programs as conditions become better understood or as circumstances change. More generally, the combination of authority, responsibility and accountability focused at the local level leads to much more active promotional efforts than otherwise. This is particularly true in the more backward and isolated regions which tend to be neglected under a highly centralized system. In the People's Republic of China, reliance on decentralized local-level management is a cornerstone of the economic system. There is a clear trend in the same direction in a number of other countries—Algeria, Tanzania, Kenya and India, for example. However, apart from use of the special project authority—often separate from the existing local authority—progress toward decentralization is generally still modest.

At the present time, the proportion of expenditure on development which is allocated as a result of local decisions is fairly small—perhaps in the range of 10% to 20%. Budget authority continues to rest with the central authority, with a major part of the funds allocated on a departmental basis. Funds which provincial authorities can allocate out of their own revenues for rural development are generally hopelessly inadequate or insignificant. Even where there is a considerable measure of local autonomy in spending, reliance on central transfers is very great. Central governments usually curtail local powers to raise additional revenue directly from local sources, although there are some arguments favoring such local resource mobilization to supplement central government allocations. For one thing, total resources for investment may be increased. For another, local contributions would

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[1] *The exact terminology and hierarchy, of course, differ as between countries. But in all countries at least three levels are clearly distinguishable. The word "district" is used here to cover all levels below the provincial.*

strengthen the basis for local participation in program conception and design and, more generally, would increase fiscal responsibility at the local level. Some countries, Indonesia for example, are experimenting successfully with schemes to increase local-level contributions, in this case using a matching grant system as an inducement.

Importance of Local Participation

Community involvement in the selection, design, construction and implementation of rural development programs has often been the first step in the acceptance of change leading to the adoption of new techniques of production. The manner in which early participation is to be achieved, and balanced with the need for overall guidance and control from the center, is a problem which can only be resolved within each country. There is some evidence, however, such as at Comilla in Bangladesh, that a strengthened local authority is better able to secure effective participation than are officials answerable to faraway central governments. It appears that Tanzania has gone further in its attempts to deal with these problems than most other countries. For example, preparation of regional development budgets now begins with proposals from a system of local committees, composed of villagers and low-level officials. The proposals are then filtered through higher-level district and regional committees, again composed of a mixed group of officials and party members, before being presented to the central government. Agreement must be reached at each level before the proposals are passed on to the next higher level. A somewhat similar system of decentralized planning and decision making is practiced in Malaysia, and one is being developed in Indonesia. Several countries have found that rural people have perceptions of needs and possibilities which are generally different from those of "rational" officials. The "right" balance in this relationship is hard to strike. At one extreme, local politicians may completely dominate local officials, with the possibility of perverse results. At the other extreme, also common, officials may make the final decisions and recommendations.

Local institutions, such as farmers' associations and cooperatives, have obvious potential advantages for coping with administrative difficulties in reaching the rural poor. On the one side, they provide some measure of participation through the involvement of their members. On the other, they perform intermediary functions which make it possible to provide credit to larger numbers than can be done through official agencies. Group members can be held jointly responsible for repayment of credit, for acceptance of input supplies or other produce

purchased from outside, and for delivery of the marketed surplus to the appropriate agencies (public or private). In some systems, cultivation is arranged on a cooperative basis, possibly with the application of more or less uniform cultivation practices to land and crops that remain the responsibility and property of the individual cultivators. Local groups and associations can thus, in principle, reduce the need for government servants or personnel of government-supported agencies to deal with the individuals and families that comprise the target groups.

Almost all governments support cooperative development for the rural areas in one form or another. Experience indicates that the performance of cooperatives has been mixed. In some, the skills—particularly entrepreneurial and trading skills—required of the managers have been underestimated. With inefficiency and losses, the cooperative becomes a high-cost purveyor of services for its members. In some places, these difficulties have been accentuated by active and effective opposition to the cooperative from private traders, landlords and others to whom organization among low-income families is not advantageous. At times, such groups capture much of the benefit by working from within: for example, when membership of a cooperative is a condition for access to subsidized credit. Dishonesty among the officials has also been a major problem.

But experience with cooperatives is not all bad, and such organizations provide the participation and impetus in rural development programs that is hard to secure in any other way. Moreover, in most societies, there is a well-established informal system of mutual aid upon which to build. The work of nongovernmental agencies furnishes some of the more successful examples in fostering cooperation, usually working outside the framework of officialdom, and often in quite modest circumstances. The Bank expects to explore ways of working more closely with nongovernmental agencies, especially where they have gained useful local experience and have experimented with pilot projects.

Manpower and Institutional Constraints

The shortage of skilled staff to implement rural development programs should be a major consideration in their design. In many countries, particularly in Africa, the scarcity of skills is found at all levels: experienced and junior staff, technical and administrative. Even when the supply of trained manpower is more adequate, the number of personnel serving the rural areas is often small in comparison with urban areas. This may be because rural development has been assigned low priority or because the shortage of financial resources is acute. Typi-

cally, however, the salary scales, allowances and status of people working at the bottom of the development hierarchy in the rural areas are low. Their promotion prospects are uncertain. The lack of amenities in rural locations deters well-trained persons from staying there. Moreover, in many countries civil service practice does not respect and reward specialization. Therefore, the turnover of rural staff is very high; and officers appointed to supervise rural development are frequently generalists in the very early or the very last stages of their careers.

The remedies for this situation are obvious but seldom instituted. Staff working in the rural areas should be given better pay and allowances. Distinguished rural service should be given special recognition. Promotion prospects for specialized field staff should be improved. But competitive pay and career prospects must be regarded as complementary to the development of the motivation and commitment to service that accompany true professionalism. Manpower can often be used more effectively than it is at present. In particular, where good managers and higher-level staff are scarce, lower-level staff must be utilized much more effectively. The need for formally trained manpower is determined largely by the way in which the delivery of services is organized. Thus, many agricultural credit programs, following conventional forms of credit administration based on complex criteria of creditworthiness of the applicant, involve the processing of complicated forms and thus require large amounts of highly-trained manpower. Modification of such procedures could free this manpower for other tasks.

If decentralization is to be effective, regional and local government, development authorities and cooperative-type organizations must be provided with the trained manpower to fulfill their obligations. The evidence indicates that present systems of training are weak, especially in the handling of relationships with the local population. Recruitment must be localized to strengthen the links between development services and the community. Training exercises for agricultural extension agents, health workers and cooperative staff must be relevant to the actual needs and priorities of particular local situations. More consideration also should be given to the possibility of training community opinion leaders, such as primary school teachers, religious leaders and village cooperative secretaries as agents of change. The number of people who need to be trained is so large that the only practical way is to adopt a multiplier approach by training the trainers. This could be done by establishing internationally financed regional training institutes. The institutes would prepare experienced staff to return to their countries and set up courses to train development managers,

regional and project planners, cooperative staff, agricultural extension agents and other specialists.

Implementing Rural Development

Because experience with rural development projects is limited, and conditions vary widely from one area to another, generalization about project design is fraught with the danger of being either too specific or too trite. Nevertheless, an attempt has been made to distill some lessons of experience by examining a cross-section of projects in which the alleviation of poverty in the rural areas was a major objective. In this respect, it is notable that rural development schemes usually do not aim to provide benefits exclusively to the rural poor. The reasons are several. Often, the rural development objective is subordinate to the objective of increasing agricultural output (or marketed output). Even where this is not the case, a program aimed at providing advice or extension to the small farmer will rarely exclude the medium-sized farmer, if by including him sizable increases in output can be achieved.

Moreover, it may frequently be desirable to design a program so that all sections of a rural community benefit from it to some degree. Often, in this way, the program can benefit the main target groups more effectively. Involving the community implies providing some element of general interest. In many countries, avoiding opposition from powerful and influential sections of the rural community is essential if the program is not to be subverted from within. Program design must take into consideration the existing social system if lasting benefits for the poor are to be achieved. Thus, in cases where economic and social inequality is initially great, it is normally optimistic to expect that more than 50% of the project benefits can be directed toward the target groups; often, the percentage will be considerably less. But, in all cases, project design should reflect the particular needs and conditions of the developing country in question.

At one extreme, some countries are seeking to provide a package of minimum requirements to as large a group as resources permit. This may be described as the minimum package approach to rural development. At the other extreme are the more comprehensive programs which include social as well as directly productive elements. Partly because of the heavy financial and human resources required for such programs, however, experience with them relates mainly to specific area or regional schemes (e.g., settlement schemes) rather than to nationwide programs. This is referred to as the comprehensive approach. Finally, there are a variety of supporting programs which provide benefits to the rural poor. They usually need to be integrated with a

broader effort if their full potential is to be realized. A rural works program intended to help the landless laborer is one example of such an approach. A national credit scheme for smallholders would be another. Most sector-specific programs fit into this category, including those related to education, health, transport, power and water supplies for the rural poor. Such programs are described as sector or special programs in the detailed discussion. It is worth emphasizing, however, that most of the experience with rural development stems from various *ad hoc* or piecemeal approaches, and not from the application of an overall rural development plan. Thus, the classification of project activities serves mainly as a basis for organized discussion of issues, and the examples used do not necessarily reflect intention or conscious design on the part of those who originated the programs.

The Minimum Package Approach

Minimum package programs aim to provide generally modest but broad-based improvements in levels of living through increased agricultural output. Special attention is given to the sequencing of operations in the light of the development needs and requirements of the target groups on the one side, and financial and staffing constraints on the other. The great advantages of minimum package approaches are the promise of low-cost, extensive coverage with comparatively simple objectives and operating procedures. The importance of sequencing is also worth attention. An initial emphasis on a broad-based increase in productivity, through a minimum level of institutional development, may be the most effective way of ensuring mass participation in a subsequent more complex type of program.

An illustration of the approach in operation is the Minimum Package Program (MPP) established in Ethiopia in 1971, which is supported by IDA. Designed eventually to reach all the small farmers in Ethiopia, MPP provides extension, production credit, cooperative development and feeder roads in 10,000 farm family units or blocks. These blocks typically extend five kilometers on each side of a 75-kilometer stretch of all-weather road. Services are organized through specialized credit agencies and the Ministry of Agriculture, with no regional or local government participation. The experience of those working with the project suggests some important conditions for the success of this approach:

1. A first-class technical package (under the soil and rainfall conditions of Ethiopia's highlands, the application of fertilizers has produced such yield increases as to convince farmers of their usefulness without much persuasion by extension staff).

2. An intact social structure in the rural areas, with certain people commanding general respect being prepared to act as model farmers without remuneration.

3. A land tenure system which does not discourage production above subsistence level.

4. A loose system of credit supervision, with satisfactory repayment rates enforced through firm and visible discipline in the case of government credit.

It follows that a different approach will be necessary where the technical package itself is not markedly superior to existing practice and where the initial requirements for raising productivity are more complex—for example, where the rural poor are stratified by access to land, farm type, level of skill and occupation. This partly explains why there are few examples of this type of national program, despite its considerable advantage for countries with limited resources and massive rural poverty. Social and economic stratification in many South Asian countries, for example, would seem to preclude widespread application of the minimum package approach.

One Asian example of the minimum package approach, however, is furnished by a recent seeds improvement project which the Bank is supporting in the Republic of Korea. Under it, 500,000 farmers are to be offered improved varieties of paddy, barley, wheat, soybeans and potato so that they can raise their incomes by a modest but significant 10% over a five-year period. The program includes provision for research to improve the quality of seeds and a system of seed distribution through the national cooperative organization to individual farmers. Credit and extension services, provided mainly through cooperative societies (to which 90% of Korean farmers belong), are already adequate. The cost of the project, at 1973 prices, works out to less than $50 per family.

Under adverse conditions, provision of minimum package facilities tends to result in relatively few direct beneficiaries among the rural poor. There may, however, be favorable indirect effects stemming from minimum package programs addressed to small farmers who are not themselves sufficiently poor to be classified among the target groups on the basis of low income. For example, as small farmers become more prosperous, they tend to make more extensive use of hired labor—drawn from the poorest groups. The expanding demand for trading and transport services also tend to improve the market for hired labor. Clearly, projects for which such indirect effects on the rural poor are a major consideration merit special attention, particularly in otherwise unfavorable situations such as those where the poor themselves have little or no direct access to land.

The Comprehensive Approach

Coordinated National Programs

While most schemes under this category are specifically designed for a particular area, some countries have pursued concerted programs of rural development directed at a wide spectrum of the rural population. The programs have been characterized by careful definition of the needs and resources of the target population; detailed planning of preparation and implementation; phasing of multisectoral components; and extensive adjustments or complete restructuring of related institutions. Some of these programs, for example those in Japan, and in the Republics of China and Korea, have met with notable success. In other countries, such as Pakistan and Mexico, the programs are still at an early stage.

The success of the experience in the Republic of China is reflected by the fact that during the period 1950-70, output in the agricultural sector grew by 5% per year. In addition, the greatest increases were registered on the 890,000 farms with less than one hectare of cultivated land. These represent two-thirds of all farms and one-third of the cultivated area. The farm income of this group exceeded $300 per capita in 1970. The Taiwanese experience is characterized by the rapid adoption of new technology by a large number of small farmers; most of the increase came from improved yields, derived from the use of better inputs and the expansion of irrigation.

It is generally agreed that the success would not have been achieved without the organization of farmers into associations. Farmers are organized into a federated three-tiered system of multipurpose organizations. At the base are the small agricultural units made up of several families, who are collectively represented in the 328 township farmers' associations. Above them are 20 county associations and the apex organization. Although multipurpose, the farmers' associations have become an important source of institutional credit, and this appears to have been one of the major factors responsible for the acceleration of agricultural development. The organization of the farmers was accomplished under the aegis of an autonomous central development agency known as the Joint Commission on Rural Reconstruction (JCRR).

In contrast to the Taiwanese experience, the Mexican integrated rural development program, PIDER, is very new and thus has no spectacular achievements to report. It is of particular interest, however, because of the detailed planning and institutional adjustments that have been made. The primary objective of the program is to provide resources and services in selected rural areas in order to increase per-

manent and temporary employment; raise rural living standards by introducing directly productive activities; and improve basic social infrastructure and production services. The criteria for selecting regions for the programs are that each must be economically depressed, with potential for expanding agricultural, mining or industrial production; it must have at least one growth point for development; and it must have fairly high levels of unemployment and underemployment. The program reflects Mexican endeavors to improve the planning and implementation of systems for the distribution of investment and services. It also is indicative of efforts to decentralize budgeting and resource distribution at the state level, and to encourage local and state participation in the decision-making process.

Finally, there is one other example of a national approach which on grounds of general importance merits separate and detailed discussion—that of the People's Republic of China. Although application to other countries and regions is a subject for debate, the Chinese achievement itself is no longer in question. It appears to have been based on broad acceptance of communal and national goals over individualist or personal goals.

Area Development Schemes

An emphasis on area development is common in many countries, for agricultural as well as rural development projects. Basically, arguments in its favor stem from the often complex nature of the target groups; the complexity calls for specific programs locally prepared and tailored to local conditions. Technical considerations related to specific requirements for agricultural improvement also tend to favor placing development schemes in the framework of an area. Even when the focus is on promoting a single product, the very nature of modern agriculture may require a large number of inputs to be put together by private or public effort: improved varieties of seeds, or animal breeds, irrigation facilities, fertilizers and chemicals, energy and equipment, credit, extension, storage, marketing and transport services, and price incentives. One type of area approach is illustrated by a variety of "single product projects," such as the promotion of tea in Kenya, groundnuts or tobacco in Tanzania, cotton in Mali and Tanzania, and coffee in Papua New Guinea.

The special advantage of comprehensive area development projects, however, is the opportunity to focus directly on the needs of the rural poor through diversified crop and integrated farming systems. The development of these activities can then be linked with training and social services, and possibly with rural works programs. A close examination of some successful examples suggests that area or

regional rural development programs can encompass a great variety of objectives, organizational forms and possible responses. At one extreme, the primary objective of some of the most successful schemes is not so much to help the poor farmer or settler as to generate additional output for disposal in the marketplace. Thus, some schemes put heavy emphasis on one or two major crops. They also provide services to growers in the form of a good technical package and credit and marketing arrangements, associated with relatively close control of farm operations and supervision of credit.

Typically, such schemes operate through a well-funded and well-staffed special authority outside the existing local civil service structure, often with little community or other direct local participation. Under such schemes, arrangements may be made to mobilize resources for schools or medical facilities, and settlement may include provision of basic amenities, like water supplies. While the impact on productivity may be an important influence, these services are typically supplied in an *ad hoc* way, without much consideration for wider programs of development. The Gezira settlement scheme in Sudan had many of these features. Begun in the 1920s, it extended over nearly 2 million acres of irrigated land by 1970, and directly benefited 75,000 farm families.

Settlement schemes have a number of special advantages. They provide an opportunity to break through modes of thought and action that are often a handicap in traditional, closely integrated and inward-looking rural communities. They also afford an escape from communities where power is concentrated in the hands of a few large landowners who are opposed to measures that are designed to reduce their special status and are likely to raise the cost of labor. The opportunity may also arise to select well-motivated settlers; and, especially where new crops are involved, the package of technical advice and services made available is likely to be accepted more readily.

An example to be contrasted with Gezira, in terms of concern with community involvement and application in the very different circumstances of long-established settlement, is provided by the Comilla projects in Bangladesh. This series of pilot schemes, designed by the Pakistan Academy of Rural Development during the period 1958-71, demonstrated a potential for substantially raising the incomes of small farmers in a limited but fairly large area within ten years. It also provided models for improved local organization and administration (at modest cost and with a limited number of professional staff), including training systems. Large numbers of people, many of them at village level, were trained in cooperative organization, pump irrigation, taxation, conciliation court procedures, Muslim family law and literacy.

A rural public works program, growing out of Comilla, achieved an impressive record of road building and repair, canal excavation and construction of flood embankments, serving over 4.6 million acres of farmland. An irrigation program, adopted throughout the province in 1968, had by 1972-73 placed 32,900 low-lift pumps and tubewells to irrigate an estimated 1.3 million acres. The Academy was also responsible for establishing a village cooperative credit system, with emphasis on self-help through thrift among workers. Associated in part with the credit system and farmer extension services, fertilizer use quadrupled in the area that was mostly affected, while the incomes of village farmers more than doubled. Another important innovation was a system for coordinating the activities of the various government departments in a local development center (the Thana center).

The Comilla project was fortunate in enjoying exceptionally innovative and imaginative local leadership. The success achieved was particularly impressive, given the limited resources available and an environment with many unfavorable factors. A distinctive feature was the careful phasing of program development, based both on pretesting and use of experience gained under pilot or trial schemes and on the flexible evolution of program design as further knowledge and experience were gained. While such schemes can be successful, the Comilla experience illustrates the critical importance of leadership and commitment to program goals.

A model of another type is provided by the Puebla project, developed for a relatively homogeneous area with about 50,000 small farmers in Mexico. The project, begun in 1967, is more voluntary in inspiration than Gezira and more technically agricultural in orientation than Comilla. The Puebla approach has stressed the provision of new technical packages for smallholder farmers based on local adaptive research, mostly for maize. Much of the initial work is on identifying problems concerning soil, seed, disease and cultivation practices, and on training technicians to work in small farm development. The scheme also includes credit and marketing facilities. For participating farmers, the increase in maize yields (net of climatic effect) averaged 9.5% per year over the 1968-72 period, raising farm family incomes by approximately $110. The total cost of the project over the six-year period to 1974 was approximately $1 million, or $135 per farmer receiving credit. The Puebla project has not, however, been very successful in integrating its activities into the fabric of regular governmental services, and banks must still be prodded to lend to small farmers. The Puebla research and extension functions are largely outside regular government channels. Organizations which articulate local farmers' opinions and concerns have not emerged, and are therefore not tied

into the higher levels of the service system. Significantly, while the achievement is considerable, only 25% of those in the maize-growing area have responded to the project so far.

A final example, which combines some of the features already discussed, is the Lilongwe Land Development Program (LLDP) begun in 1967 in Malawi. It is the focal point in a large-scale area development approach to rural transformation. At present, the program covers an area of 1.15 million acres with a population of 550,000, most of whom are small farmers. It was organized as a special department of the Ministry of Agriculture. Access to the services and staff of other departments, including staff specially seconded to the program, has been a feature of LLDP. As a consequence, the program benefits from the close cooperation and coordination among departments that should (but often does not) flow from the integration of activities in a national policy framework.

The program has concerned itself with a wide variety of activities and functions, most notably with physical planning of subregional centers for markets and services; provision of regional infrastructure (roads, bridges, water supplies, health clinics and service buildings); consolidation of landholdings; community organizations and village committees for local participation in decision making and planning; and credit schemes—initially, unsecured loans to individuals, but with progressive adaptation to group credit systems based on shared responsibility for repayments. Considerable importance is given to agricultural extension and to the training of extension workers. (The program has trained all its field staff.) Program targets were set in relation to a 13-year development period, and a full assessment is difficult to make at this stage. It is expected that by 1980 net income per farm family in the project areas will increase 75%, accompanied by roughly doubled yields of maize, smaller increases for other crops, and improvements in animal husbandry.

There are perhaps three major potential dangers with such area development schemes:

1. As already mentioned, the schemes may concentrate a disproportionate share of the resources on providing benefits to a group that is relatively small in relation to the overall size of the national target group.

2. The schemes tend to suffer from a program design that is too ambitious and complex, calling for exceptional leadership that cannot always be made available on a sustained basis.

3. They may distort priorities in the allocation of resources among sectors.

The need for quality staff and management in such schemes is often

met by providing foreign technical and financial assistance. Donor agencies have tended to favor providing large numbers of highly qualified experts (local or foreign), and often new institutional arrangements, as a condition for launching such projects. But high-powered management, with and often without foreign backing, sometimes means that too large a part of the available resources is taken for "showpiece" or "enclave" projects. Technical feasibility and economic viability, together with weak central planning and control over resource allocation, may lead to the adoption of project objectives that are unnecessarily ambitious. Sometimes a doubling or tripling of income may be feasible and economically viable but not, in the light of the overall circumstances of the country, an appropriate target. It is necessary to look closely at schemes during the design stage to see whether a modest objective—perhaps an increase in incomes by 50% over a ten-year period—might not enable significant economies to be made, particularly in the use of high-level staff.

In some cases, however, particularly in irrigation and land improvement projects, the problem lies less with the objectives than with the failure to reform the structure of landholdings. Thus, a project that doubles the carrying capacity of the land may be utilized to increase the density of settlement—so providing modest benefits to a wider group of participants. The combination of land reform and land improvement—potentially an attractive approach to rural development in conditions of land scarcity—needs to be more vigorously pursued.

The comparative affluence in terms of management and finance enjoyed under many of these projects during the implementation period often does not survive the transfer of functions to the local administrative system. Firstly, the indigenous regional administrations may not have the capability to carry out the necessary policy and coordinating functions at the regional headquarters. This capability is critical in administering complex integrated programs when they involve the activities of a number of departments and local governmental agencies, for instance, agriculture, transportation and health. Secondly, institutions to handle the commercial aspects of the programs, such as agricultural credit and input and output marketing, either do not exist—since the programs have handled these functions—or do not yet have the administrative capability to manage the activities on a large enough scale. Thirdly, the local organizations and local administrative units developed under the programs may not correspond to the existing local governmental institutions, raising difficult questions related to the maintenance and expansion of the various local services.

These problems cannot be resolved quickly and so cannot be entirely avoided if more rapid progress is to be made. The experiment with decentralization and with the working of new administrative structures and procedures must begin somewhere. If the improvement of the system is to await its functioning everywhere, it may not improve anywhere within an acceptable period of time. In fact, demonstrating the efficiency of new structures and procedures in a few pilot areas is often the only way to convince traditionalists of the feasibility, as well as the necessity, of improving the general system. This being said, however, greater efforts must be made to design area development schemes on the basis of a realistic assessment of the quality and number of the officials and technicians likely to be made available in the long term. This approach to area development should help to foster greater concern for training activities, which are a particular weakness of programs that rely heavily on expatriate manpower.

Balancing Economic and Social Components: A special aspect of the resource allocation problem in multisectoral activities concerns the balance of outlays between sectors. Projects aimed at the rural poor are likely to contain a mix of elements—directly productive components, as well as social services and amenities such as health, water supplies, basic education and village electrification. In principle, the different sectoral elements need to be consistent with individual sector objectives and should conform to a logic that is internal to the project or program as a whole so that the components are mutually reinforcing. This need to conform to a well-considered and carefully structured rural development program may result in the better design of such services than would be the case under a nonintegrated or sector program. Sector programs often reflect inappropriate standards and result in elaborate and costly services, poorly structured in terms of the overall priority needs of rural communities.

The principles involved in balancing social and economic components are, however, more easily stated than observed, and in practice a good deal of judgment regarding the inclusion of items is called for. If good sector programs do not exist, they cannot be improvised and made to work within the context of an individual rural development project. Moreover, the indirectly productive impact of such services as better health care and environmental sanitation is inherently difficult to measure, and the base of good research studies is lacking. Such difficulties add to the importance of making sure that the social service components of a rural development project are the "least costly" among alternative methods, that they are potentially replicable over broader areas, and that the recurrent costs involved can be sustained within the limits of the fiscal resources available.

Two other points are worth making about the inclusion of social services and amenities in rural development programs. Firstly, there is evidence that rural people rate selected social or amenity services—particularly health and access to water—very highly indeed, sometimes above productive benefits, as a quick means of improving the quality of life. Participation fostered through community involvement in the design, construction and use of such facilities may be the first step toward the acceptance of proposals for change relating to production techniques and methods. Secondly, it is worth recalling that the allocation of resources among sectors (as among regions) is likely to reflect a balance of considerations, and economic criteria may not necessarily be the most important. Concentration of resources in more productive areas may increase interregional inequality, particularly where migration from the less favored regions is not feasible. A relatively strong emphasis on interregional balance and equity may be justified where the poorer regions contain a heavy concentration of the rural poor (for example, in northeast Brazil) or for countries with access to an unusually generous flow of resources (like Algeria).

Sector and Special Programs

The types of activity described under this heading are usually organized on a nationwide basis. They may or may not be tailored to meet the specific needs of the rural poor. In practical terms, it is usually impossible to confine the benefits to a particular class of beneficiaries, even if that were desirable. Thus, roads built under a works program are available for the benefit of all. Schools and health facilities in rural areas can hardly turn away potential users on the ground that they are too rich to qualify. The most important feature of these programs, however, is that they generally do not, by themselves, constitute a basis for self-sustaining increases in productivity and income. Rather, they are complementary to or components of programs with this objective.

Rural Public Works: Rural public works programs have been receiving increasing attention. In the off-peak seasons, large numbers of landless laborers and very small farmers are idle or severely underemployed. Their poverty is worsened by the fact that they earn little or no income during these seasons. Rural works programs can provide direct and timely income to those needing it most, while creating productive infrastructure at low social opportunity costs. However, in practice, such programs have rarely developed their full potential. Opportunities for improvement exist in the primary benefits, and also in the secondary benefits flowing from the infrastructure created within the program. A review of past and ongoing rural works programs identifies

these recurring weaknesses in the design and implementation of the primary programs:

1. The portion of total program expenditures going to unskilled workers is frequently less than it might be because unnecessarily equipment-intensive construction methods are used.

2. Projects may be poorly selected and designed, resulting in high-cost investment and low efficiency in terms of income supplements to the needy.

3. Inadequate management and supervision may produce a "make-work" character and consequent high-cost structures and low morale.

4. Some programs have tended to extend into the peak demand periods for agricultural labor.

5. When "self-help" elements are included, the poor usually are required to contribute their labor with very small or no wage payments.

6. Payment in kind is administratively cumbersome and frequently very inefficient for the workers as they resell inappropriate commodities at a large discount.

7. The appropriate blend of local initiative and decision making with central control is difficult to achieve.

8. Influential groups may alter programs so as to increase their own benefits at the cost of the poor.

Even in the best designed and managed programs, the wages of unskilled labor will not be much above one-half of total expenditures. Secondary income distribution effects flowing from the created assets may be substantially greater than the primary effects. Without careful integration into a progressive rural development program and without complementary public policies, the secondary effects may be very small for the poorest rural groups. The secondary benefits reach these groups mainly through the induced demand for labor in productive activities which arises from the infrastructure that is created. Most of the opportunities for such growth in employment is in more intensive land cultivation; this is also consistent with increased agricultural output which is a necessary condition for continuing benefits to the poor. The sustained expansion and intensification of productive activity will require complementary inputs and supportive policies and programs. The rate of induced employment generation may be quite sensitive to public policies, such as those relating to farm mechanization and intensive cropping patterns.

While the target groups among the rural poor gain from secondary employment, the owners of assets, especially land, typically obtain large benefits from the infrastructure created. The benefits constitute one motivation for the political support of public works programs by

nontarget groups, which is a necessary condition for the success of these programs in most countries. However, if landownership is highly inequitable, the incidence of the secondary benefits will be similarly inequitable, and the public recovery of part of the landowner's benefits should have high priority. The services of some created assets can be priced, but in many cases land and income taxes would be necessary. Some governments may be tempted to introduce public works programs as a substitute for more fundamental reforms and policies which promote a sustained growth in income for the rural poor. Such a course of action should be resisted because the scope for immediately reducing underemployment and poverty—necessarily limited by budgetary constraints and a shortage of suitable projects—would be offset by the inequitable distribution of the secondary benefits of the program.

The most important general conclusion is that public works need to be part of a larger employment and development strategy. They have to be used in coordination with other programs and activities if their potential is to be developed fully. Basic decisions on such issues as target groups, wage levels, location and type of projects, taxes or other measures to recoup secondary benefits, and program administration would then be made in conjunction with national or regional development planning. In particular, such planning must ensure that the output of wage goods increases to match the higher demand for such goods created by any large-scale works program. Public works activities should also be coordinated with specific local development schemes. Public works, particularly because they are decentralized in implementation, provide an excellent opportunity to begin local-level planning but this potential generally remains unrealized.

Education and Training: A major share of public sector outlays for which the impact on the rural poor is an important justification relates to education. Here attention is focused on minimum learning needs for all members of rural society. Such "basic education"[1] includes functional literacy and numeracy, and knowledge and skills required for earning a living, operating a household (including family health, child care, nutrition and sanitation) and civic participation. Thus defined, basic education is the minimum of education necessary for an acceptable rate of development, and for the wider distribution of its benefits.

In many countries, basic education can be offered partly through the primary school system, but major constraints in providing it to the

[1] *This has been defined as the threshold level of learning required for effective participation in productive life as well as in social and political processes.*

rural poor have been time and cost. Considerable interest has, therefore, been shown in schemes for providing nonformal and more cost-effective education and training to adults and adolescents. Many of the schemes surveyed as part of a recent Bank-sponsored study indicated typically small-scale operations promoted by a wide variety of different agencies and often not integrated into a national education system or development plan.[1] The study drew particular attention to:

1. The need for the horizontal integration of rural education programs, both with other education activities and with other development activities in the same geographic area, and vertical integration with organizations and services at higher levels to provide support and backstopping services.
2. The need for the decentralization of planning and management so that education activities can be effectively adapted to local needs and conditions.
3. The need for greater equity to avoid widening the socioeconomic gaps in rural areas. Worthy of particular note is the neglect of training for women, although the importance of their roles in making decisions and doing farm work is acknowledged.

To meet the needs of rural development, primary education has to be improved, particularly to reduce wastage, lower costs and raise quality. Other possibilities invite further experimentation, including adjustments with regard to age of entry in school, length of cycle, size of class, simplification of curricula, use of mass media, and adaptation of indigenous learning systems. A number of other actions might also be taken to spread basic education more effectively to the rural poor:

1. Schooling should be integrated with employment and development. This may be done through skill training of those who have left the schools, or through a program, such as that of Botswana, where practical skill training directly related to the creation of new opportunities for self-employment is given in the schools.
2. Rural education should be functional in serving specific target groups and in meeting identified needs.
3. Rural education programs should be designed as part of a total education delivery system. They can themselves become the focus of coordinated action through the use of multipurpose centers to serve other activities, such as cooperatives and health services. This is being done in Tanzania at both district and village levels through the establishment of Rural Training Centers and Community Education Centers.

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[1] *Coombs, P.H., with Ahmed, M.* Attacking Rural Poverty: How Nonformal Education Can Help. *Prepared for the World Bank by the International Council on Educational Development. Baltimore and London: The Johns Hopkins University Press, 1974.*

4. Rural education projects should be integrated with other development activities, and linked wherever possible to the provision of other appropriate inputs and services. This has been effectively demonstrated in a number of integrated rural development projects, such as the Comilla project in Bangladesh and the PACCA program (Program on Agricultural Credit and Cooperation in Afghanistan). It may also be achieved through the design of functional literacy programs.

5. The provision of basic education and training should be designed flexibly to make use of existing facilities and resources, and to use mobile units in order to remain replicable in terms of costs and management requirements.

Credit: Credit schemes illustrate some of the difficulties encountered in sectoral programs. The Bank's paper on *Agricultural Credit* draws attention to a number of common deficiencies and problems in lending to small farmers. In particular, large farmers have been the main beneficiaries of institutional credit. Commonly, 60% to 80% of the small farmers in a given country have limited or no access to institutional credit. Moreover, the available supply of credit is heavily skewed in favor of short-term credit, particularly in the case of small farmers. Although not always essential, the conditions under which credit is needed and can be used effectively are characterized by:

1. Clear opportunities for economic gain from adoption of new production technology or other improvements.

2. Widespread recognition and acceptance of such opportunities on the part of the farmer, along with access to training in the necessary skills.

3. Delivery systems which provide ready and timely availability of the inputs required, and market outlets for farm production.

For small farmers, it is essential to provide a comprehensive package if the potential for increased productivity is to be translated into a commercial reality. There appears to be scope for using institutional credit to replace or augment credit from traditional sources in order to check monopoly situations which cause excessively high interest rates; to overcome inelasticities in the supply of credit which become apparent when new opportunities emerge; to ease the seasonal financial problems of rural households; and, most importantly, to encourage small subsistence farmers to raise their output and enter the commercial sector. Furthermore, land reform, if pursued widely, could sharply increase the credit needs of the former tenants who were previously supplied by landlords. In this general context, several recent experiments warrant further examination, including the "passbook" scheme in Pakistan, the Cooperative Production Credit Scheme in Kenya, and the Masagana 99 program in the Philippines.

Other Sector Programs: Other specific sector programs—for example those concerned with the provision of feeder roads, village electrification, water supplies, health facilities and the promotion of rural industry—may be important means of conveying benefits to the rural poor. The major issues involved have been covered earlier—namely, the need to integrate such programs with programs of rural development and with particular projects, and choosing appropriate design standards suited to rural conditions. The latter is a serious problem for a number of these services, and in some cases, pending further technical development, extension of facilities to villages will remain prohibitively expensive. One reason for the neglect of the small-scale system suitable for the rural areas is the convenience and lower unit cost of preparing and appraising projects for larger undertakings that are better suited to the urban environment or, in the case of transport, for interurban connections. Here too, however, recent research indicates some promising new approaches calculated to reduce difficulties in the future.

The promotion of rural industry in the context of rural development merits special attention. In many countries, existing village crafts are disappearing rapidly, while modernization of agriculture creates a demand for new inputs and consumer goods which could often be produced locally. If these two trends can be combined through relevant planning and support measures, the outcome might be modernized local industrial structures, geared to serving the rural areas and with linkages to national industry as well. Such rural industry could provide employment, increase incomes, slow rural-urban migration, increase the supply of goods and services to farmers at lower cost and generally stimulate further rural and regional development.

Expansion of rural industry at an early stage of agricultural development may, in the long run, permit a more rational spatial distribution of industrial and economic activity than might otherwise occur. Much of rural industry is likely to be located in market towns. That would generally be a more desirable form of urbanization than the expansion of already large urban centers. Modernization of agriculture creates a demand which has great potential for pulling certain categories of industries into rural towns. These industries are, in general, small; and their interaction with medium and large enterprises is, in the long run, essential. Consequently, some urban-based industry can be decentralized, with little or no economic sacrifice, in order to achieve better interaction and more balanced distribution of industrial activity. At the same time, with an industrial base to provide for continuing expansion and development, such regional centers can serve to attract and

retain professional and technical skills that otherwise tend to concentrate in the major cities.

Apart from the linkages with agriculture itself, there are other important cross-sectoral requirements for rural industry. Thus, at some stage, the villages must have access to electricity for productive purposes. It is equally essential to develop the capacity to design and manufacture simple producer goods appropriate for small-scale village industry. The reservoir of potential skills—technical and entrepreneurial—in the rural areas is often large. Without special efforts, however, to upgrade the skills, to improve tools, to diversify production, to open up markets and to change the outlook of the artisans, this important asset threatens to disappear. In many circumstances, the mechanization of agriculture requires small pumps and motors (up to 20 or 25 horsepower), as well as the services of tractor drivers, tubewell operators, tractor and small-motor mechanics, and people skilled in maintaining and repairing mechanical equipment. Rural homes need basic furniture and improved kitchen utensils. Such requirements are either not fulfilled or are met from the cities. It would seem natural to upgrade the skills and organization of village blacksmiths, carpenters, shoemakers, weavers and potters, so that they could assume new manufacturing and service roles in modernizing rural communities. This kind of support should be part of an integrated plan to modernize and develop rural communities.

Thus, in the same way that agricultural extension services are considered essential for introduction of new technology and development of agriculture, industrial extension should also be seen as a necessary element in developing rural industry. Essential characteristics of such an extension service are mobility and relevance to rural industries in meeting local demands. An important aspect of any such program must be the development and support of the existing industrial structure in order to capitalize on the base of technical and entrepreneurial skills which today exist in villages, market towns and urban centers. Development of rural industries requires a nationally supported program to provide inputs like credit, raw materials and equipment, electricity, training for technical and managerial skills, and efforts for research, development and engineering. Provision of such a package is, in principle, facilitated by linking efforts with a rural development program. Indeed, the general lack of rural development planning cannot be more clearly illustrated than by the weakness of current efforts to promote rural industry.

The variety of programs and approaches that have been examined confirms that no single package or formula is likely to be either necessary or sufficient for effective rural development. On the contrary, the

activity mix most likely to work is the one that is tailored to fit a particular, and probably unique, set of conditions and country circumstances. A number of other general conclusions are listed below in summary form.

The experience of rural development programs and projects appears to confirm that:

1. It is possible to reach large numbers of the rural poor at moderate cost, with reasonable expectations of acceptable economic returns.

2. If this is to be done, it involves political commitment to a strategy for rural development and to the general policies necessary to support such a strategy.

3. Low-cost delivery systems for supplying inputs on credit terms, for providing extension and marketing services, and for organizing communal activities are of crucial importance in reaching large numbers of the rural poor. Greater use of special financial intermediaries, cooperatives, community groups and farmers' associations should be explored.

4. It is important to balance overall central control with decentralized regional and project planning. Rural development projects require a degree of flexibility in design and in responding to the lessons of experience, but flexibility must be within the limits of minimum national or regional standards and financial resources.

5. Greater efforts should be made to integrate project management into existing and, if necessary, reformed central and local government organizations and procedures.

6. It is important to involve the rural poor in the planning and implementation of rural development programs.

7. Increased training is necessary at the local level, particularly for development managers, regional and project planners, cooperative staff and extension agents.

8. Equitable and adequate provision should be made for the recovery of costs in order to provide funds for additional rural development projects in other areas.

9. Technical packages have to be devised, appropriate to the requirements of small farmers and based on adaptive national research.

10. It is necessary to improve knowledge of national resources and provide an improved flow of disaggregated information as a basis for realistic national, regional and rural project planning.

11. Although increases in output can be achieved with existing technology, increases in productivity will require new technology suitable for use by small farmers.

Chapter 3: THE WORLD BANK'S PROGRAM

Past Trends

The major thrust of the World Bank's activities in rural areas has been in lending for agricultural development. The Bank is now the largest single external source of funds for direct investment for agricultural development in developing countries. This is the result of a purposeful shift of emphasis in the Bank's policy over the past five years. It reflects, firstly, a change in the Bank's perception of development and its underlying processes; and, secondly, an awareness of the growing pressures on the agricultural and rural sectors in developing countries. These shifts have been characterized by changes in the pattern of lending, including changes in its sectoral distribution, by a widening and deepening of the lending program, and by the emergence of "new style" projects.

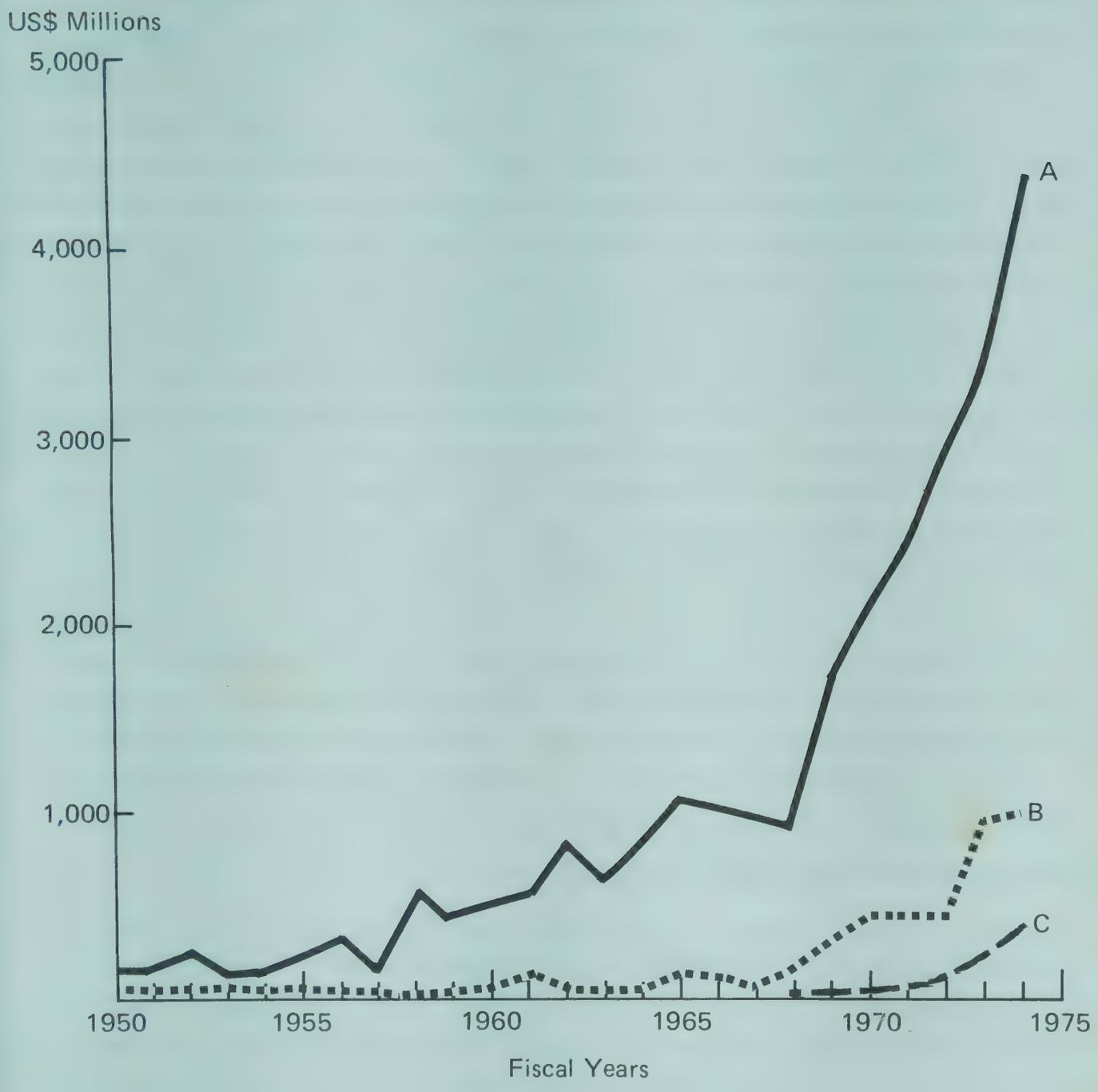
Change in Lending Patterns

Sectoral Changes: In the early years of the Bank's operations, the lending for agricultural development was relatively small. Between fiscal 1948 and fiscal 1960, 17% of all Bank projects and 6% of total Bank investments were for agriculture. Subsequently, it became apparent that greater agricultural output was not only necessary for the expansion of most economies, but was perhaps the only way to achieve growth in many areas. There was a corresponding increase in the share of lending for agriculture (see Figure). As a result, lending for agriculture rose from 12% of the total in fiscal 1961-65 to 24% of a much bigger total in fiscal 1973-74 (see Annex 8).

Widening of Lending: In the early years of the Bank's operations, the emphasis was on the transfer of capital and the development of capital-intensive projects, notably in irrigation. From fiscal 1947 to fiscal 1970, 48% of all Bank investment in agriculture was in irrigation. Between fiscal 1961 and fiscal 1965, the proportion for irrigation was 79%. Since then, although investment in irrigation has increased in absolute terms, the proportion has fallen—to about 30% in the years since fiscal 1970 (see Annex 9). The Bank will continue to invest in irrigation. But the growing realization that agricultural development involves a whole complex of interdependent components has led to a substantial widening of the patterns of lending for agriculture—including investments in tertiary canals and land leveling to ensure that irrigation water is used effectively at the farm level.

By the mid-1960s the Bank was financing a wider range of activities—agricultural and livestock credit, storage, marketing, processing, fish-

World Bank/IDA Lending for All Sectors, and for Agriculture and Rural Development, FY1950—74



A: Lending for all sectors
B: Lending for agriculture
C: Lending for rural development

eries and forestry development. Much more emphasis was given to promoting technological change at the farm level through programs to enable farmers to acquire improved seed, fertilizers and equipment. The Bank has also recognized the importance of agricultural research by supporting both individual projects and international research institutions. In addition, individual projects are becoming more comprehensive. They now include not only a greater variety of agricultural elements, but also nonagricultural components such as rural roads,

health, training and water supply.

Deepening of Lending: In recent years, there has been an increasing awareness that agricultural growth does not necessarily diminish rural poverty. As a result the Bank has been attempting to "deepen" its lending in the rural sector as part of a program intended to help lower-income producers to become more productive. This is indicated, firstly, by the fact that the poorer countries have been receiving a greater proportion of Bank funds, and a deliberate effort has been made to reach more of the lower-income groups through projects. In fiscal 1954-68, $138.8 million, or 22.5%, of the lending for agriculture was for countries with per capita GNP lower than $150. During fiscal 1969-74, the figure rose to $1,356 million, or 38.2%, of the total lending for agriculture (see Annex 10). Secondly, between fiscal 1968-72, the percentage of Bank-assisted agricultural projects where the participating farmers owned less than five hectares rose from 17% to 67%. Since there is some correlation between size of holding and income, this indicates that Bank lending has been increasingly directed toward lower-income groups. Finally, there has been an increase in lending for projects that are directly focused in some way on providing benefits to the rural poor (see Annexes 11 and 12). The number of such projects increased from five in fiscal 1968 to 28 in fiscal 1974, involving an increase in lending from over $29 million to almost $474 million. The projects accounted for 17% of all lending for agriculture in fiscal 1968, but 47% of a much larger total in fiscal 1974.[1]

Emergence of "New Style" Projects

The changes in emphasis that have taken place over time, and the focus on reduction of poverty, have necessitated the introduction of what might be termed "new style" projects. These have been designed to encompass some, though not all, of the characteristics desired for rural development, as described in Chapter 2. The main elements of the projects are:

1. They are designed to benefit large numbers of the rural poor, while earning an economic rate of return, that is, at least equal to the opportunity cost of capital.

2. They are comprehensive in their approach to small-scale agriculture and provide for a balance between directly productive and other components (where inclusion of the latter is appropriate).

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[1] *A word of caution is in order regarding these figures. Until recently, a large number of projects did not describe the beneficiary group in any detail, and it is not easy to determine the intentions of a project precisely several years after it was prepared. The large increase in fiscal 1974 compared with earlier years owes something to the better definition of project objectives, but the underlying change remains a considerable one.*

3. They have a low enough cost per beneficiary, so that they could be extended to other areas, given the availability of additional resources.

The "new style" projects have included a variety of approaches. They are intended to reach large numbers of people through area development, settlement, irrigation and land improvement schemes. Most of the projects have an agricultural base and involve technological change—frequently the introduction of water, credit, improved seed and fertilizer. Many of the projects also include some diversification of agricultural production. The area projects often have some social components—health services, basic education and water supplies. Whenever possible, costs have been held down by evolving low-cost delivery systems and working through intermediaries that can absorb some of the overhead costs—notably farmers' associations, cooperatives and other groups. Much remains to be done in this regard.

The expansion of "new style" projects has led to a substantial change in the nature of lending for agriculture. An analysis of the appraisal reports for 56 agricultural loans approved in fiscal 1974 shows that:

1. In 38 projects for which information is available, the number of beneficiaries is expected to total 11.8 million. The total does not include beneficiaries who are not farm operators, such as farm laborers and others whose incomes might have risen because of a project.

2. The average income per beneficiary before the projects were started was $69 per year; but the range of beneficiaries' incomes was from $22 to $1,460 per year.

3. The projects, taken as a whole, involve a total investment of $2,000 million, and are expected to lead to an average increase in income of 7.3% per year over the development period (an average of eight years).

4. The average cost per beneficiary is $160; however, five projects accounted for 8 million of the 12 million beneficiaries at a cost per beneficiary of only $17 and the increase in income expected from these five projects is also much less than the average increase for the projects taken as a group.

The change in the Bank's philosophy on agricultural development over the years, as reflected in the pattern of lending for agriculture, can be summarized as follows:

1. The share of agriculture in total lending has increased considerably; and, within agriculture, poverty-oriented projects now have a larger share.

2. The share of the poorest countries in lending for both agriculture and poverty-oriented projects has increased significantly.

3. The number of people benefiting directly from the Bank's operations in agriculture is increasing.

4. Based on information from the Bank's appraisal reports, the production of the beneficiaries, including many of the rural poor, are expected to increase at a rate higher than the 5% target suggested in Mr. McNamara's Nairobi speech. But it must be remembered that this increase is for Bank-assisted projects only; the share of such projects in total investment in agriculture and rural development in developing countries is relatively small.

The Way Ahead

The extent to which direct programs to improve the lot of the rural poor can be launched and "new style" projects pursued will be determined by: (1) the extent to which the goals of equity and growth can be reconciled; and (2) the size of the resources available in relation to the magnitude of the problem.

Reconciling Goals

An important question for the Bank and member governments is whether, or to what extent, greater emphasis on rural development implies a diversion of resources away from meeting the urgent need for increasing food production. The possibility of such diversion arises for various reasons. Among these are:

1. Heavy investment in projects for those with the lowest incomes could lead to a concentration of effort on a group which commands a small proportion of the basic resource required for food production land. Based on a sample of 52 developing countries, if the poor smallholders are considered to control less than two hectares of land per family, collectively they would control only about 16% of the arable land.

2. It is sometimes more difficult and takes more time to provide services to large numbers of small farmers than to a smaller number of large farmers. The Bank's experience indicates that the cost of providing credit to small farmers can run 14 percentage points or more above that for large farmers. Similarly, large numbers of small farmers need more extension workers, so there may be a diversion of scarce resources away from larger producers in addition to the higher costs of expanding these services.

3. The urgency of the need to expand food supplies over the next few years may mean that investment resources will have to be concentrated in areas where the potential is greatest for substantially increasing food production within a short period of time. Farmers in these

areas might well be better off in terms of resource endowment and infrastructure; they may not be among the rural poverty target groups.

However, rural development does not necessarily conflict with the objectives of higher food production. Small farmers are often more efficient in the use of resources on the farm than are large farmers. Most of the rural poor are engaged in agricultural production, so that any steps taken to help them to become more productive will add to agricultural output. The food problem is most severe in the South Asian and African countries which have the greatest concentration of absolute rural poverty; in many of these countries, the distribution of land and income is such that raising the agricultural output of the low-income groups in rural areas is the only means by which both production and consumption of food can be increased. This applies also to the landless workers for whom rural public works can lead to the creation of productive facilities as well as generating income to purchase food. Finally, at a more general level, the poorest rural families who do not themselves produce sufficient food for their own needs stand to suffer most from shortages and high prices of food.

The Bank recognizes the interdependence of the two objectives of increasing food production and alleviating poverty in rural areas. Its policy is to aid all agricultural producers, but to put the emphasis on deepening the lending to help small-scale farmers—those with holdings of up to five hectares (including those within the low-income target groups)—who account for 40% of the land cultivated in developing countries. A policy of assisting agricultural development, with emphasis on smaller farms and rural development to help the rural poor, will contribute both to raising food output and alleviating rural poverty.

Resource Requirements

The Nairobi speech set the ambitious target of raising the annual rate of growth of output of small farmers to 5% by 1985.[1] Achieving such a target requires that demand, for domestic consumption and for export, increase sufficiently to maintain producer prices; that institutional and organizational constraints be eased; and that resources be mobilized to assist small farmers. The experience of countries and of the Bank itself in implementing projects confirms that, in many instances, finance alone is not the limiting factor in bringing about a sustained increase in output among small-scale producers; frequently technological, organizational, procedural and manpower difficulties

[1] *As explained in Chapter I, the target poverty group has been changed from the acreage basis in the Nairobi speech to an absolute and relative income basis. Nevertheless, the 5% target rate of growth refers to all small-scale farmers and not just those in the lowest-income groups.*

limit the effective use of additional investment. Nevertheless, it is possible to give some rough estimates of investment needs.

Although the estimates were obtained through two different approaches they yielded broadly similar results. The first approach was based on a simple model so that some analysis might be made of how sensitive the results were to crucial assumptions and policies. The second approach drew directly on the Bank's experience.

The parameters of the model include the capital-output ratio, the rate of depreciation of capital, the population growth rate of small farm households, the time-lag before investment becomes productive, and the share of the benefits from investment which accrue to small farmers. Calculations based on this model yielded an estimate of $70,000 million as the total cumulative capital cost of achieving by 1985 an annual growth rate of 5% in small farmers' production. To maintain this rate of growth beyond 1985, annual investment expenditures of approximately $20,000 million would be needed. Moreover, the estimate of total cost derived from such calculations is sensitive both to variations in the share of benefits assumed to accrue to the target group and to different assumptions about rates of population growth. For example, an overall production growth rate of 5% might be achieved with either a population growth rate of 1% per year and a per capita production increase of 4% or a population growth of 3% with a per capita production increase of 2%. Calculations based on the model indicate that cumulative investment costs by 1985 would be $5,000 million lower in the first of these cases, that is, with a lower rate of growth of population.

Calculations based on the Bank's own experience also show that the share of project benefits accruing to the target population has an important influence on estimates of the total cost of reaching the objectives outlined in the Nairobi speech. As indicated in Annex 11, there was a subset of 25 agricultural projects (single and multisector) approved in fiscal 1974 where at least 50% of the direct beneficiaries are likely to be farm families with annual incomes below $50 per capita. Including those outside this poverty group (a substantial number of whom would nevertheless be small farmers with holdings of less than five hectares), these projects are expected to benefit some 11 million people. As a result of the projects, net output per farm family is projected to increase by more than 5% per year over an eight year development period, beginning from a level of annual income that averages approximately $60 per capita. With total project costs of almost $900 million, the average project cost is under $80 per capita. If sufficient projects at this average per capita cost of $80 could be implemented solely for the rural poor (expected to number 700 million by

the end of the 1970s), the implied global cost would be $56,000 million. But if it is not feasible to reduce the per capita cost significantly, nor desirable to increase the percentage of direct beneficiaries among the rural poor (as distinct from other small farmers) above the 50% level that is representative of recent Bank experience, the overall cost of projects and programs with direct benefits for the rural poor and small farmers could amount to over $100,000 million.

These estimates are, however, subject to a substantial margin of error because:

1. The mix of investment opportunities during the next decade could vary significantly from that in fiscal 1974 (though a provisional analysis of Bank-assisted projects in fiscal 1975 indicates a pattern similar to that of fiscal 1974).

2. Indirect beneficiaries, such as landless laborers, are not included in the project appraisal estimates.

3. It is uncertain how far projects can be designed differently in order to reduce the costs and increase the benefits.

4. Greater government commitment, more appropriate government policies, and better rural, regional and project planning could also result in significant economies and greater benefits.

5. The cost estimates do not necessarily include all those costs which are external to the projects but essential for broader programs of rural development.

6. Because output may increase faster in the future than consumer demand, farm-gate prices may decline and hence the net benefits may be less.

On some counts, even the higher estimate of $100,000 million would seem a remarkably modest amount for providing the impetus for sustainable increases in productivity and real income for the rural poor. Estimates of income, savings and investments in the developing countries, including the petroleum and mineral exporters, indicate that total investments in developing countries in 1974 would be approximately $170,000 million. Allowing for phasing over, say, a 10-year period, $10,000 million per year for rural development would account for only 6% of this total. But for the low-income developing countries (those with per capita incomes below $200 at 1967-69 prices), the picture is very different. Their total investment in 1974 would be of the order of $25,000 million. In their case the investment required for rural development would be large relative to the availability of resources, since these countries account for more than 60% of the rural poor. The regional breakdown is shown in Annex 13.

The Lending Program

There are many constraints in lending for agriculture and rural development. Nonetheless, the compelling financial and human needs of the rural sector justify an ambitious five-year target. Under the Bank's lending program for fiscal 1969-73, $3,400 million was allocated to agricultural development, or about 20% of total lending over this period. The preliminary fiscal 1974-78 program allocated 26% of total lending to agricultural development, i.e., $6,500 million (at constant fiscal 1974 prices). Omitting the amount for fiscal 1974 and adding that for fiscal 1979 would increase this figure to approximately $7,200 million for the five-year period, fiscal 1975-79. Based on past experience of cost-sharing, this would involve a total investment of approximately $15,000 million in the rural sectors of developing countries.

Assuming a program of $7,200 million for agriculture and rural development, the question arises of how the resources are to be allocated within the rural sector. Past trends in lending, and particularly the experience in fiscal 1975, indicate that it is possible to design "new style" projects that can fulfill many of the objectives of Bank policy. Close to half of the loans approved in fiscal 1974 were for "new style" projects; and the indications are that this will be true of a large proportion of those approved in fiscal 1975 also. While information is limited about the projects in the latter part of the five-year period, there is every reason to expect that a high proportion of "new style" projects can be maintained during fiscal 1976-79.

The Bank, therefore, plans to double the fiscal 1974 or fiscal 1975 level of lending for rural development by fiscal 1979. This implies a total Bank/IDA investment rising from $500 million in fiscal 1975 to $1,000 million in fiscal 1979 (at 1974 prices). Over the five-year period, this would represent one-half of the total projected Bank/IDA lending for agriculture and rural development. Allowing for local contributions and other funds, the proposed lending program would support a total annual investment program of approximately $2,000 million by fiscal 1979. This is 20% to 30% of the annual requirement for financing the target of a production increase of 5% per year, i.e., $70,000-$100,000 million spread over 10 years would average $7,000-$10,000 million a year.

The proposed lending program would test the absorptive capacity of many developing countries, especially the poorest countries most in need of external resources. Substantial new efforts to mobilize local resources would be needed, together with organizational changes to utilize existing resources more effectively. The role of the Bank in supporting such changes is discussed later. In some countries, the changes will call for a greater degree of political and social commitment to the

general objectives of rural development than has been evident so far.

An analysis of the projected lending program for agriculture (based on the aggregate of the country lending program projections) shows some differences between the regional distribution of lending and the regional distribution of the rural poor. In particular, the concentration of the rural poor in South Asia considerably exceeds the share of this region in total projected Bank lending for agriculture. If the proposed program of lending for agriculture and rural development were distributed among regions according to regional concentrations of rural poverty, the projected lending for South Asia in these sectors would need to be more than double the present prospective regional total. The calculation reflects the fact that South Asia accounts for 75% of the 360 million rural poor in the low-income, resource-poor group of countries. Annexes 13 and 14 provide the details.

The South Asian problem is numerically by far the most severe and, in view of the poverty of the countries involved, probably the most intractable. It is likely that rural development projects will play a considerably greater role in South Asia than in the past. For one thing, the previous emphasis on agricultural credit operations (which accounted for more than 50% of all agricultural lending for South Asia in the fiscal 1969-73 period, and were not primarily oriented toward specifically identified target groups of rural poor) was greatly reduced in the fiscal 1975 program. This change in emphasis is confirmed by estimated totals of agricultural lending Bank-wide by type of project, as planned for the fiscal 1975-79 period. Compared with fiscal 1969-73, the fiscal 1975-79 share of area development projects (which include area-based rural development projects) will increase from 6% to 30%, the increase being matched by declines in the relative importance of credit operations, irrigation projects and livestock projects.

Should additional resources become available, the claims of agriculture and rural development, particularly in South Asia, seem persuasive. Questions concerning the technical and other assistance which the Bank can supply for this purpose are taken up later in this Chapter.

The proposed program is unlikely to be achieved unless the Bank maintains a major effort to support and further develop innovative approaches to project design and implementation. It is difficult to foresee the forms these innovations might take, but some of the kinds of changes that will be needed are already embodied in recent projects. Many of them might be suitable for application on a wider scale. For example, a recent IDA-supported project in Upper Volta has established a Rural Development Fund. Its purpose is, in part, to deal with the uncertainties of government finance, particularly after the project implementation period has ended, and to mobilize additional local

resources. A model for capitalizing effectively on the benefits of new agricultural research is provided by a seeds project in the Republic of Korea. The project is to help establish a modern seeds industry in that country, including the capacity to undertake continuing research into a range of crops. It is expected to increase the incomes of a large group of farmers at very low cost. This is an example of a national minimum package program.

Another project in Asia—the Keratong land settlement project in Malaysia—includes the financing of project towns in the settlement area. It provides an example of a linked or integrated approach to rural development that includes recognition of the impact on regional urban settlement. In this project, there is a positive attempt to provide for the conditions and facilities calculated to be necessary to attract skilled persons away from the largest cities and to reduce the migration of the unskilled, partly educated rural youth to these cities. In Eastern Africa, the Kigoma project in western Tanzania is an example of the use of a regional government authority for project management. The broad range of skills and expertise thus available enables a variety of services to be financed under the title of a regional development plan, of which the project itself is the core. The project is also providing finance for the preparation of other rural development programs in the context of improved regional and rural planning.

Another feature of growing significance is the support for ongoing programs of rural development where there is sufficient experience or commitment on the part of the government, and where scope exists for improving the design and increasing the effectiveness of the program. One example is the Mauritius rural development project, which supports the rural works program there. Others include a project in India which supports the Government's programs for drought-prone areas; another in Mexico which supports the Government's PIDER program of rural development; and a third in Indonesia which will provide services and facilities for improved training of local officials in program formulation and implementation relating to the INPRES program of rural works.

Many of these are nationwide programs, or have the potential to become nationwide programs. Increasing importance will be attached to supporting a range of project activities under the umbrella of an overall strategy or rural development plan. A series of projects in Nigeria provides one example of this approach. The size of the Mexican PIDER program referred to above implies that it is, in effect, a series of projects that can be packaged as one because of the common philosophy and set of objectives to which they relate.

It is likely that the proposed program will also require greater efforts to prepare multisectoral, integrated programs, involving not only a mix of directly productive and social elements, but also a greater range of productive components than is now the case. In particular, it is highly desirable in some areas to prepare integrated rural industry projects, involving as possible components rural electrification, training and credit as well as agricultural elements. Such efforts might fit particularly well into the later phases of the multistage type of project activity that will be called for in the more sophisticated environment. There will also have to be a greater emphasis on helping the landless through industrial and training types of projects, as well as single or multisector efforts focused on training and education more specifically designed for rural people. Multisectoral approaches are especially suitable for providing rural health, family planning and other social services. For example, the Bank will help to introduce selected elements of reformed health services into rural development projects, and to link control operations for specific diseases (such as river blindness and sleeping sickness) with rural development programs.

In addition to innovation and experiments with new approaches, however, it is necessary that the Bank's experience in more conventional types of activities be used in dealing with concentrations of rural poverty—through schemes of general land improvement, irrigation, clearance for settlement or drainage, credit programs, and programs for more specialized groups such as fishermen and herdsmen. Support for such activities will be further extended into the most challenging and difficult agro-ecological areas, such as those of the Sahel and the mountainous regions of Latin America. This will involve more national research and pilot testing of technology and special institutional arrangements in particular areas. According to the needs and circumstances of each country, therefore, there will continue to be a mix of minimum package, area development, national comprehensive and public works programs in the rural areas.

Two other points can be made. Firstly, the innovation and experimentation in rural development will inevitably yield some failures. But the risks can be reduced by providing facilities for monitoring and evaluation, so that the lessons of experience are learnt. Secondly, the Bank's program—ambitious as it is—will scarcely keep pace over the five-year period with the increase in the numbers of the rural poor resulting from population growth. The increase could amount to 70 million, while the number of the rural poor benefiting from these programs will probably not exceed 60 million. (The total number of beneficiaries, including those outside the target groups, can be estimated at 100 million.)

Deployment of Bank Resources

What other steps are necessary to ensure that the manner in which the Bank processes projects is conducive to meeting specific targets and the broader policy objectives? Recent actions have included providing guidelines for rural sector work and for elements of the Bank's policies and procedures which might be considered constraints on designing, processing and implementing rural development projects; assisting governments with in-depth research; increasing resources for agriculture and rural development; and improving control and monitoring procedures.

It is important to spell out at an early stage in project identification the basic project rationale together with a broad project profile. This should indicate the number of farmers and other target groups; their income classes; the projected impact on productivity; the cost of the project and its replicability; and a breakdown showing how much of the investment is directly productive and how much is not. This would help to point up the institutional constraints at the local and national levels, define the scope of the project, and indicate the nature and extent of components which should or should not be included.

The Project Cycle

Project Identification

Internal monitoring of the progress of economic, sector and project work is very useful for reviewing progress in meeting the objectives. But if the system is to provide a more positive stimulus, other action is required.

Firstly, an intensive effort is needed at the level of country economic and sector work in order both to provide guidance and support for project planning strategies and tactics, and to facilitate more systematic consideration of rural development criteria in the selection and design of projects. Agriculture and rural development sector work is essentially of two kinds: that which is needed to support country economic work, and that which facilitates project identification. The concern here is with the latter; it has to be given higher priority.

Rural sector studies need to be oriented toward: (1) identifying and focusing on target zones and populations; (2) assessing technological constraints and the potential for small farms; (3) examining infrastructure requirements; (4) evaluating the capacity of existing service systems and their potential; (5) reviewing the administrative arrangements and capability for the rural sector; and (6) examining national policies relating to rural development. Preliminary guidelines to

encourage such an approach have been issued and will be reviewed from time to time in the light of experience.

It is not feasible to present a statistically complete picture of sector work because some sector work is done on other kinds of missions—reconnaissance, appraisal and supervision. Thus, it is difficult to find a standard to measure the output of varied sector work activities. But the work program for the next four years is being developed. In addition to the Bank's program, the U.N. Food and Agriculture Organization (FAO) plans to have "Country Perspective Studies" in Malaysia, Burma and the Sahelian countries of Western Africa. Work is just ending on Iraq, Iran, Pakistan and Bangladesh. The International Labour Office (ILO) is also planning rural development country studies under its World Employment Program. The Bank and FAO are now actively coordinating their sector work and have established informal cooperative arrangements with ILO in order to avoid duplication.

Experience so far suggests the usefulness of a new type of activity known as rural reconnaissance missions, to supplement agricultural sector studies, especially in the integration of agriculture and other sector work, and the evaluation of governments' rural development programs. Such reconnaissance missions may be restricted to one region or one area of a country, as opposed to studying the rural sector as a whole, but they have a broader purview than a project mission. They are particularly useful in assessing new government proposals for rural development which are larger than a project but provide the administrative context within which rural development may be organized. Their function thus falls between that of a typical Bank project mission and a sector mission.

A clear program for project identification needs to be developed. It would include both sector and subsector review missions and rural reconnaissance missions. The development of such a program is likely to mean that more resources will have to be devoted to identifying and preparing a pipeline of projects.

Project Preparation

Because the number and variety of components in rural development projects make their design a complex task, a relatively long lead time is required for project preparation. Since constraints on increasing the Bank's manpower resources (including consultants) are likely to continue, it is necessary to examine the feasibility of rearranging the time spent on the various phases of the project cycle.

The identification and preparation of rural development projects is not well organized in many developing countries. Consequently, addi-

tional assistance is required and could take one or more of the following forms:

1. Technical assistance to establish or strengthen planning and programming units.

2. Expanding the project preparation capacity of the Cooperative Programs with FAO, the World Health Organization (WHO) and the United Nations Industrial Development Organization (UNIDO).

3. Introducing a special type of project, which might be termed rural preparation, the purpose of which would be to design rural development projects in detail prior to the appraisal of the actual projects themselves. This activity would be analogous to the "engineering credits" used in the first phase of some transportation projects.

4. Making more use of pilot projects, but on a scale sufficient to test the scope for expansion.

The extent to which the Bank needs to shift and/or increase its resources for rural development work will depend in part on the degree to which member governments develop project planning and programming units. Experience confirms the great importance of establishing decentralized planning units with project preparation sections. In the case of rural development programs, such units are best located in the planning organizations of regional or local governments, where these exist. Such an approach is in keeping with the tenet that rural development should build on local initiative. It has the advantage of not only strengthening local planning capacity, but also having a direct bearing on the implementation of projects. Where there is no regional or local government, and where nationally integrated programs are desired, preparation should be undertaken by a central office for coordinating rural development or in a ministry of planning and development.

Project Appraisal Methods

Rural development projects, with their particular emphasis on distributional as well as productivity aspects, tend to be more complicated than agricultural projects generally are. This is particularly true of those multisectoral projects which yield benefits that cannot easily be quantified in monetary terms. However, the experience has been that all the rural development projects approved so far have shown adequate rates of return when the quantifiable benefits and costs are assessed in the usual manner. In some projects, the rates of return have also been satisfactory when the costs of those project elements for which the benefits cannot be quantified have been included along with other costs. It does not follow, however, that this will always be the case in

the future. It is important, therefore, to consider more closely the non-quantifiable benefits and income distribution aspects of rural development projects, bearing in mind the need to maintain the Bank's high standards of project appraisal.

The benefits of some project elements can be quantified (usually the directly productive components) while the benefits of others cannot (usually social service ones). There may be some project elements where all the benefits cannot be quantified, but they may nevertheless be necessary for achieving production targets; in such cases, the costs of these elements should be included in total costs. On the other hand, there may be project components for which the benefits cannot be quantified and which are not necessary for achieving production targets directly, but which nevertheless are important for increasing production indirectly and for improving the quality of life of the rural poor; in such cases, the costs should not be included in total costs for rate of return calculations.

In either case, how does one assess whether the levels of services proposed are justified? In the first place, reference must be made to sector or national policies, which should preferably establish minimum standards criteria (e.g., so many health clinics of a certain standard per head of population, possibly stratified by population density). Secondly, one should make certain that, within the national or regional minimum standards, the discounted total cost is the lowest among alternative ways of providing the services; the process of selecting the least-cost alternative should be made explicit so as to ensure that realistic alternatives have been considered. Such an approach is accepted practice in public utilities and other projects where "administered" prices are charged or benefits cannot be quantified.

Thirdly, care should be taken that the social profitability of one component is not obscuring the negative social profitability of another component. This implies separate evaluation of project components. Fourthly, where charges are made for services but the prices are "administered" ones, the marginal social costs should be estimated. Should it appear that the services are to be provided at less than their social cost, the implied subsidy must be justified in terms of the government's social objectives (including special pricing arrangements for the rural poor) and public savings. For example, are the subsidies going only to those who need them, and are costs being recovered sufficiently to provide funds for projects in other areas? Fifthly, the recurrent costs of such investment must be estimated and the implications for the government's budgetary position justified.

Project Implementation

Because the Bank's knowledge and experience of how best to help the rural poor raise their productivity and improve the quality of their lives is limited, it is necessary to:

1. Build a degree of flexibility into projects so that modifications can be made as experience is gained.
2. Devise evaluation systems in order to (a) control and monitor the extent of deviations from expectations, and (b) learn the lessons of experience. But such systems can be expensive and governments are naturally reluctant to tie up scarce human and financial resources in what might be regarded as sophisticated and esoteric monitoring systems. Such systems are necessary, not because aid agencies want them, but because they ought to be an integral part of the internal management control structure. If they are introduced for this purpose, they can facilitate supervision by governments and assistance agencies, and help in learning the lessons of experience.

Technical Assistance

Training

Because the shortage of indigenous supervisory and managerial staff is chronic in most developing countries, the training of "development managers" is a matter of top priority. Much of this must be done "on the job," but it usually has to be supplemented by more formal training. The traditional way of arranging on-the-job training is to provide technical assistance and insist on counterparts being supplied. Some technical assistance experts are better than others in training counterparts, but in general the record has been disappointing. There are many reasons, including a shortage of qualified counterparts and the fact that the experts are often fully and wrongly engaged in executive functions. Consequently, it is important—at least in the larger projects—to make provision for proper training courses for counterpart personnel. This is increasingly being done under Bank-assisted projects. Any increase in the supply of local expertise would help to free scarce technical assistance for new projects.

Public Sector Organization

Much more attention needs to be paid to public sector organization, procedures and personnel management, and to the manner in which project organizations should be fitted into improved public sector systems. The Bank and other donors have shown an understandable tendency to establish project entities outside the cumbersome civil service structures in many developing countries. In this way, highly

privileged enclaves have been created to the detriment of longer-run improvement in public sector efficiency. Multisectoral rural development projects, in particular, depend critically on inter-agency cooperation and coordination. Hence those responsible for preparing such projects must identify the real institutional constraints in the public sector and seek practical solutions. The institutional constraints may be so pervasive, however, that general reforms may be required before particular projects can be implemented.

The importance of strengthening local capacity for project planning has been mentioned earlier. Experience so far seems to indicate that there are few links between the preparation and implementation phases, and that "project managers" are appointed too late. Despite the difficulties, it would help if "project managers" were appointed fairly early in the preparation stage, so that they could be involved in designing the projects they are to manage. Not only would this help to reduce delays between approval of projects and commencement of implementation; it might also improve the design of projects and the quality of management.

Research and Information

A recurring point in this paper has been the inadequacy of information concerning the circumstances of the rural poor and the ways in which rural development can be accelerated. High priority needs to be given to conducting research and gathering information. The Bank's work in this area can never amount to more than a fraction of the national and international effort required. Therefore, in addition to doing research itself, the Bank plans to assist member countries in undertaking research and analysis to provide firmer foundations for rural development programs and projects.

The first need is for greater insight into the characteristics of target groups and the dynamics of traditional societies as they begin to modernize. In some cases, this is simply a need for information on how many people there are, where they are, and perhaps who they are. But once a program has begun to be designed, it is also necessary to know more about their skills, resource ownership, incomes, nutrition, health, family structure and general socioeconomic environment. Such information has to be collected through surveys. To be adequate for project planning, it must be current. Some information is available on a global basis in the FAO World Census of Agriculture and, on a country basis, from national censuses and surveys. The Bank is currently working with FAO to speed up analysis of the 1970 World Agricultural Census in relation to the small farm sector.

Secondly, the Bank needs to undertake research in order to learn better what motivates people in rural areas, and how they might react to broad policy decisions. The Bank is currently working with several external agencies on a study of "The Analytics of Change in Rural Communities." The aims of the study are to help in: (1) designing and evaluating key features of integrated rural development projects; (2) analyzing the effects on rural communities of different development policy instruments; (3) identifying those features of successful projects which can be replicated in other rural areas; and (4) more generally, providing an efficient feedback system so that project experience may improve knowledge and understanding.

Thirdly, it is important to have more information about the resources available for exploitation by the rural poor and others. To this end, the Bank will encourage others, and join with them, to finance resource inventory and evaluation work based on various kinds of field surveys; the use of ERTS imagery and aerial photography; national income, production and employment statistics disaggregated to the regional and local levels; and sectoral and regional studies to discover additional growth centers and rural/urban linkages. Indonesia provides examples of these kinds of studies.[1]

Fourthly, it is important to step up technical agricultural research in order to adapt known technologies to national and local situations. Such adaptive research includes varietal trials and plant breeding, experiments with fertilizer and water requirements for high-yielding varieties, development of improved cultural practices (especially for food crops), and designing farming systems for smallholdings. Research also needs to be undertaken to collate and synthesize all the work which has been done on "appropriate technologies" and to make recommendations for the production engineering of such machinery and equipment for local manufacture. The Bank is, therefore, supporting projects for strengthening existing and establishing new national research institutions, working in harmony with the international research activities financed by the Consultative Group for International Agricultural Research.

[1] *Examples of regional planning studies are those of the southern half of Sumatra, Eastern Indonesia, and Sulawesi being carried out with the assistance of the Bank, the Federal Republic of Germany and the Canadian International Development Agency (CIDA). The Bank and CIDA have also been looking into a "national resource inventory and evaluation project" in Indonesia.*

ANNEXES

Annex 1

Estimates of Total Population and Rural Population in Poverty in Developing Countries, 1969

Region	Population 1969	Total population in poverty		Rural population in poverty	
		Below $50 per capita[1]	Below $75 per capita[1]	Below $50 per capita[1]	Below $75 per capita[1]
	(millions)				
Developing countries in:					
Africa	360	115	165	105	140
America	260	30	50	20	30
Asia	1,080	415	620	355	525
Developing countries total	1,700	560	835	480	695
Four Asian countries[2]	765	350	510	295	435
Other countries	935	210	325	185	260
	(percentages)				
Share of developing countries in:					
Africa	21	21	20	22	20
America	15	5	6	4	4
Asia	64	74	74	74	76
Combined share, relative to total population	100	33	49	28	41
Share of four Asian countries[2]	45	63	61	62	63

[1]1969 prices.

[2]Bangladesh, India, Indonesia and Pakistan.

Notes to Annex 1:

1. A calculation of poverty for a majority of developing countries, as defined in Annex 1, was made for the study by the World Bank and the Institute of Development Studies at the University of Sussex entitled, **Redistribution with Growth,** Hollis B. Chenery, Montek S. Ahluwalia, C.L.G. Bell, John H. Duloy, Richard Jolly. London: Oxford University Press, 1974. To these data were added rough estimates for countries not included in that study, using the same data sources with respect to population and per capita income in 1969 prices but with national income distribution based on experience in countries for which data were available.

2. To calculate rural poverty, data for the share of urban population in total population were obtained from **World Urbanization 1950-70,** Kingsley Davis. Population Monograph No. 9. Berkeley, California: University of California, 1972. An assumed ratio of urban to rural income was applied, together with rough estimates for urban income distribution. With these assumptions, data for rural poverty were obtained after deducting estimates for urban poverty from total poverty.

Annex 2

Estimates of Relative Poverty in Developing Countries, 1969

Region	Population 1969	Population in poverty	
		Population with incomes below one-third of national average per capita income	Population with incomes below $50 per capita plus population with incomes below one-third of national average per capita income
	(millions)		
Developing countries in:			
Africa	360	75	125
America	260	80	80
Asia	1,080	145	440
Developing countries total	1,700	300	645
	(percentages)		
Share of developing countries in:			
Africa	21	25	19
America	15	27	12
Asia	64	48	68
Combined share, relative to total population	100	18	38

Source: See notes to Annex 1.

Rural Population and Rural Poverty in Developing Countries

Region	Rural population 1969	Rural population in poverty			Percentage of rural poor in rural population		
		Population with incomes below $50 per capita	Population with incomes below $75 per capita	Population with incomes below one-third of national average per capita income, or below $50 per capita	Population with incomes below $50 per capita	Population with incomes below $75 per capita	Population with incomes below one-third of national average per capita income, or below $50 per capita
	(millions)				(percentages)		
Developing countries in:							
Africa	280	105	140	115	38	50	41
America	120	20	30	45	17	25	38
Asia	855	355	525	370	42	61	43
Developing countries total	1,255	480	695	530	38	55	42
Four Asian countries[1]	625	295	435	295	47	70	47
Other countries	630	185	260	235	29	41	37
				(percentages)			
Share of developing countries in:							
Africa	22	22	20	22			
America	10	4	4	8			
Asia	68	74	76	70			
Total share of four Asian countries[1]	50	62	63	56			

[1] Bangladesh, India, Indonesia and Pakistan.

Source: See notes to Annex 1.

Landless Farm Workers in Selected Countries[1]

	Number of landless workers (thousands)	Landless workers as a percentage of active population in agriculture	Active agricultural population as a percentage of total active population
Asia			
India[2]	47,300	32	68
Indonesia	5,673	20	70
Pakistan[3]	8,013	29	70
Total	60,986	30	68
Middle East and North Africa			
Algeria	1,099	60	56
Egypt, Arab Republic of	1,865	38	55
Iran	903	25	46
Morocco	484	19	61
Tunisia	210	20	46
Total	4,561	33	58
Latin America and Caribbean			
Costa Rica	122	53	45
Dominican Republic	179	25	61
Honduras	138	27	67
Jamaica	72	41	27
Mexico (1970)	2,499	49	39
Nicaragua (1971)	101	43	47
Argentina	694	51	15
Chile (1971)	378	66	28
Colombia	1,158	42	45
Ecuador	391	39	54
Peru	557	30	46
Uruguay	99	55	17
Brazil	3,237	26	44
Venezuela	287	33	26
Total	9,912	35	39
Grand total	75,459		

[1]Except for India, data presented here are estimated from the ILO **Yearbook of Labor Statistics** for 1971 (pp. 43-294) and 1972 (pp.44-301). Unless otherwise indicated, the data refer to the latest year available in the 1960s and thus do not reflect recent reform actions, on the one hand, nor changes in the work force, on the other.

[2]Agricultural laborers as shown in **Indian Agriculture in Brief** (eleventh edition, 1971), published by the Ministry of Agriculture, Government of India.

[3]Includes population now belonging to Bangladesh.

Nutrition Levels by Income Class

	Percentage of families	Daily caloric intake per capita	Daily protein intake (grams per capita)	
Latin America				
Brazil (1960-61)				
Annual family income in rural areas (in new cruzeiros per year)			Total Protein	Animal Protein
Under 100	7.94	1,755	50.0	13.2
100-249	27.30	2,267	64.9	21.7
250-499	29.68	2,577	75.9	—
500-1,199	24.56	3,144	95.4	39.1
1,200 and over	10.52	3,674	116.6	32.5
Total average		2,683	80.6	21.3
Colombia (1956-62)				
"Very poor" rural		1,535	30	9
"Middle class" rural		1,538	34	15
"Middle class" urban		3,138	52	22
		2,133	60	31
Mexico (1958-59)				
"Very poor" rural		1,788	45	
"Middle class" rural		1,803	51	
"Middle class" urban		2,275	57	
		2,331	64	
Peru (1951-58)				
Mountain areas		1,794	47	
Coastal areas		2,205	64	
Asia				
Sri Lanka				
Rural (1961-66)		1,864	44	8.3
Upper class in Colombo (1957)		3,271	84	
Iran				
Peasants		1,842	60	
Urban wage earners		2,132	65	
Landowners		2,658	74	
India (1958)				
Maharashtra State				
Expenditure per capita (in rupees)				
Urban and rural areas:				
0-11	21.3	1,340	37.9	1.4
11-18	18.9	2,020	56.6	2.6
18-34	20.7	2,485	69.0	6.6
34 and over	39.1	3,340	85.7	11.9
Total average		2,100	59.7	4.5

(continued)

Annex 5

Nutrition Levels by Income Class (continued)

	Percentage of families	Daily caloric intake per capita	Daily protein intake (grams per capita)	
Africa				
Malagasy Republic (1962)				
Income per family per year (in francs)				
1-20	54.7	2,154	47.3	5.5
20-40	27.7	2,292	54.1	6.5
40-80	11.0	2,256	53.6	9.4
80-130	3.8	2,359	61.2	15.2
130-190	1.5	2,350	59.1	15.2
190-390	0.8	2,342	64.6	21.8
390-590	0.3	2,456	65.4	23.6
Other classes	0.2			
Egypt, Arab Republic of (1965)				
"Low income" class		2,204	71	15.0
"Middle income" class		2,818	84	18.0
"Higher income" class		3,130	98	37.0
Tunisia (1965-67)				
Income per person in rural areas (in dinars)				
Less than 20	8.2	1,782		
20-32	16.2	2,157		
32-53	30.8	2,525		
53-102	32.4	2,825		
102-200	10.9	3,215		
200 and over	1.5	3,150		

Source: Turnham, David. **The Employment Problem in Less Developed Countries: A review of Evidence.** Development Centre Studies, Employment Series No. 1. Paris: OECD, 1971.

Annex 6

Population per Medical Doctor in Urban and Rural Areas

Country	Year	Population per medical doctor		Urban superiority in medical doctors per unit of population
		Urban	Rural	
Honduras	1968	1,190	7,140	6:1
Jamaica[1]	1968	840	5,510	7:1
Philippines	1971	1,500	10,000	7:1
Senegal[1]	1968	4,270	44,300	10:1
Panama	1969	930	3,000	3:1
Colombia	1970	1,000	6,400	6:1
Ghana[1]	1968	4,340	41,360	10:1
Iran	1969/70	2,275	9,940	4:1
Haiti[1]	1968	1,350	33,300	25:1
Kenya	1969	880	50,000	57:1
Tunisia[1]	1968	2,912	10,056	4:1
Pakistan	1970	3,700	24,200	7:1
Thailand[1]	1968	800	25,000	31:1

[1]Urban = capital city only.
Rural = all other rural and urban areas.

Annex 7

Availability of Primary Schools in Urban and Rural Areas

Percentage of the total number of primary schools in each category (urban and rural) which offer a complete number of grades

	Number of countries	Complete urban schools as a percentage of total urban schools	Complete rural schools as a percentage of total rural schools
Countries by GNP per capita			
Up to $120 (excluding India)	9	53	36
India	1	57	49
$121-250	7	72	32
$251-750	16	77	62
$751-1,500	2	89	56
Over $1,500	6	100	99
By major regions			
Africa	16	79	54
Asia (excluding India)	9	94	66
India	1	57	49
Latin America	10	88	34
Europe	5	98	99

Source: Based on data in **UNESCO Statistical Yearbook, 1972.**

Annex 8

World Bank/IDA Lending for Agriculture: Number of Projects and Amount Lent, FY1948-74

	(1) Number of agricultural projects	(2) Amount lent for agriculture	(3) Amount lent per project (2)/(1)	(4) Average amount lent per year	Agricultural projects as a percentage of total Bank/IDA projects	Lending for agriculture as a percentage of total lending
			($ millions)			
FY1948-60	33	175.9	5.3	13.5	17	6
FY1961-65	33	484.4	14.7	96.9	16	12
FY1966-70	93	1,207.6	13.0	241.5	23	17
FY1971-72	72	855.4	11.9	427.7	26	16
FY1973-74	98	1,893.6	19.3	946.8	30	24

Annex 9

World Bank/IDA Lending for Agriculture, by Subsector, FY1948-74

	FY1948-60	FY1961-65	FY1966-70	FY1971-72	FY1973-74	FY1948-60	FY1961-65	FY1966-70	FY1971-72	FY1973-74
	($ millions)					(Percentages)				
General agriculture	43.9	–	15.0	13.5	24.0	25	–	1	1	1
Agricultural credit	20.2	45.0	183.2	255.8	240.3	11	9	15	30	13
Area development	10.0	9.7	100.4	51.6	272.6	6	2	8	6	14
Irrigation	85.1	383.8	513.2	201.3	621.9	48	79	43	24	33
Livestock	7.0	35.3	252.4	176.7	314.9	4	7	21	21	17
Agricultural industries	4.7	–	19.2	39.6	204.0	3	–	2	5	11
Non-food crops	–	2.8	86.8	95.4	167.3	–	1	7	11	9
Research	–	–	–	12.7	–	–	–	–	1	–
Fisheries	–	7.8	21.0	8.9	28.6	–	2	2	1	1
Forestry	5.0	–	16.4	–	20.0	3	–	1	–	1
Total	175.9	484.4	1,207.6	855.5	1,893.6	100	100	100	100	100

Annex 10

World Bank/IDA Lending for Agriculture, by per capita GNP of Borrowing Countries

Per capita GNP of borrowing countries	FY1964-68				FY1969-74			
	Agricultural lending		As percentage of total		Agricultural lending		As percentage of total	
	Number of projects	Amount ($ millions)	Number of projects	Amount	Number of projects	Amount ($ millions)	Number of projects	Amount
Less than $150	9	138.8	20.5	22.5	101	1,356.0	43.7	38.2
$151-375	18	173.8	40.9	28.2	78	1,069.7	33.8	30.1
$376-700	13	251.2	29.6	40.8	30	782.1	13.0	22.1
Over $700	4	52.0	9.0	8.5	22	341.8	9.5	9.6
Total	44	615.8	100.0	100.0	231	3,549.6	100.0	100.0

World Bank/IDA Lending for Agriculture and Rural Development, FY1968-74

	FY1968	FY1969	FY1970	FY1971	FY1972	FY1973	FY1974	Total
Rural development[2]								
Agriculture								
Number of projects	5	3	6	10	12	17	25	78
Loans ($ millions)	29.1	51.8	53.1	66.6	121.4	246.8	449.8	1,018.6
Multisector[3]								
Number of projects	1	–	–	1	1	1	6	10
Loans ($ millions)	14.0	–	–	8.1	2.2	21.0	59.5	104.8
Single sector								
Number of projects	4	3	6	9	11	16	19	68
Loans ($ millions)	15.1	51.8	53.1	58.5	119.2	225.8	390.3	913.8
Education								
Number of projects	–	–	1	1	–	2	3	7
Loans ($ millions)	–	–	1.5	3.3	–	9.0	23.8	37.6
Roads								
Number of projects	–	–	2	–	2	–	–	4
Loans ($ millions)	–	–	25.6	–	23.5	–	–	49.1

Total for rural development								
Number of projects	5	3	9	11	14	19	28	89
Loans ($ millions)	29.1	51.8	80.2	69.9	144.9	255.8	473.6	1,105.3
Other agriculture (excluding predominantly agricultural rural development lending)								
Number or projects	8	24	25	26	24	29	31	167
Loans ($ millions)	143.4	315.5	359.8	352.5	314.9	690.9	506.1	2,683.1
Total for agriculture								
Number of projects	13	27	31	36	36	46	51	240
Loans ($ millions)	172.5	367.3	412.9	419.1	436.3	937.7	955.9	3,701.7
Total for agriculture and rural development								
Number of projects	13	27	34	37	38	48	59	256
Loans ($ millions)	172.5	367.3	440.0	422.4	459.8	946.7	979.7	3,788.4
Other Bank/IDA								
Loans ($ millions)	781.0	1,417,.0	1,846.0	2,058.0	2,506.1	2,461.0	3,333.9	14,403.0
Total Bank/IDA								
Loans ($ millions)	953.5	1,784.3	2,286.0	2,480.4	2,965.9	3,407.7	4,313.6	18,191.4

(1)Data refer to original commitments; no cancellations and refundings are taken into account. Information used for the classification of rural development projects is based on project appraisal reports. However, many appraisal reports are deficient in information for this classification, e.g., they are lacking in income distribution data on project beneficiaries.

(2)Projects where it is expected that 50% or more of the primary (direct) benefits will accrue to the rural poor.

(3)Projects involving two or more sectoral components with the dominant sectoral component constituting less than 75% of the net project cost (i.e., cost excluding contingencies and components which are not integral parts of the project). In all multisectoral projects designated as rural development projects, agriculture is the predominant sector, so they are classified under agriculture. Basically they benefit small farmers.

Share of Agriculture and Rural Development in Total World Bank/IDA Lending, FY1968-74

	FY1968	FY1969	FY1970	FY1971	FY1972	FY1973	FY1974	Total
				(Percentages)				
As percentage of total lending for agriculture								
Rural development								
Number of projects	38.5	11.1	19.4	27.8	33.4	37.0	49.0	32.5
Amount of lending	17.0	14.1	12.9	15.9	27.8	26.3	47.0	27.5
Of which: Multisector								
Number of projects	7.7	–	–	2.8	2.8	2.2	11.8	4.2
Amount of lending	8.1	–	–	1.9	0.5	2.2	6.2	2.8
Single-sector								
Number of projects	30.8	11.1	19.4	25.0	30.6	34.8	37.3	28.3
Amount of lending	8.9	14.1	12.9	14.0	27.3	24.1	40.8	24.7
As percentage of total Bank/IDA lending								
Total rural development lending (both agriculture and nonagriculture)	3.0	2.9	3.5	2.8	4.9	7.5	11.0	6.1
Total agriculture lending	18.1	20.6	18.1	16.9	14.7	27.5	22.2	20.3
Total agriculture and rural development lending	18.1	20.6	19.2	17.0	15.5	27.8	22.7	20.8

Annex 13

Estimated Rural Population in Poverty, by Region and Income Level of Country, 1974[1]

Region	Rural population in poverty in countries with incomes up to $200 per capita[2]	Rural population in poverty in other developing countries	Total rural population in poverty
	(Millions of persons)		
Eastern Africa	60	–	60
Western Africa	15	35	50
East Asia and Pacific	10	105	115
South Asia	270	–	270
Europe, Middle East and North Africa	5	30	35
Latin America and Caribbean	–	50	50
Total	360	220	580

[1]Estimates made by applying assumed population growth rates by region to figures for 1969. The regional breakdown in this table corresponds to the geographical divisions of the Regional Offices of the World Bank and is not precisely comparable to the area breakdown of Annex 1.

[2]Excludes some countries with low per capita income, but with large external receipts from petroleum (e.g., Indonesia and Nigeria).

Annex 14

Comparison of the Distribution, by Region, of the Rural Poor and of Prospective World Bank/IDA Lending for Agriculture and Rural Development

	(1) Distribution of rural poor 1974	(2) Distribution of projected lending for agriculture and rural development FY1975-79	(3) Allocation of agriculture and rural development lending implied by (2) FY1975-79	(4) Allocation of agriculture and rural development lending implied by (1) FY1975-79
	(%)	(%)	($ millions at 1974 prices)	($ millions at 1974 prices)
Eastern Africa	10.3	11.1	800	750
Western Africa	8.6	10.2	750	600
East Asia and Pacific	19.8	18.3	1,300	1,450
South Asia	46.6	19.3	1,400	3,350
Europe, Middle East and North Africa	6.0	18.2	1,300	450
Latin America and Caribbean	8.6	22.9	1,650	600
Total	91.9	100.0	7,200	7,200

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